Unemployment

What Europe can and should do

Page 13

Whale and farewell?

Brundtland plays it tough for Norway

Page 3

Not another Bangkok

Preserving Hanoi's cultural heritage

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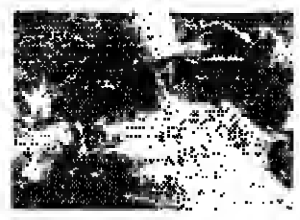


Fashions in green

The trend towards 'natural' clothes

Page 10

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JUNE 9 1993

German arson attacks as action on racism is urged

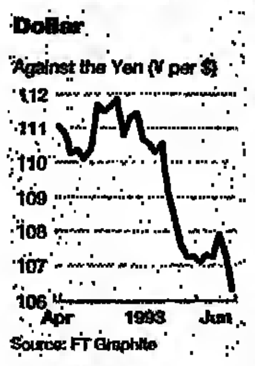
At least four more arson attacks on foreign homes and businesses were reported in Germany, as politicians and community leaders called for firm action to combat racism.

The security services fear racist gangs are making copy-cat attacks after the deaths of five Turkish women and girls in Solingen 10 days ago. The government agreed to hold a parliamentary emergency debate next week, in which Chancellor Helmut Kohl, bitterly criticised for his failure to react more firmly, will speak. Page 14; SPD to fight welfare cuts, Page 2

Clinton may simplify energy tax: US president Bill Clinton is on the verge of abandoning his plan to tax the thermal content of fuels, and is instead negotiating for a simpler energy tax calculated on price. Page 4

Egyptian bombers strike again: Islamic extremists killed one person and injured 14 others in a bomb attack on a tourist bus in Cairo as part of their campaign to cripple Egypt's lucrative tourist industry. Page 6; Sumed pipeline plans expansion, Page 5

Yen breaks new foreign exchange records:



Source: FT Graphite

The Japanese yen continued its sharp upward progress against the dollar, touching a new high and defying several interventions from the Federal Reserve. Recently, the yen has been well underpinned in the run-up to the next round of trade talks between the US and Japan, and the summit next month of the Group of Seven leading industrial nations. Currencies, Page 34; Japan condemns numerical trade targets, Page 5; Banking crisis, Page 6; Editorial Comment, Page 13; Royal wedding, Page 6

Airbus plans jumbo Boeing challenger: The European Airbus consortium is continuing plans to develop a 700-800 seat airliner, while individual partners are studying with Boeing the development of an even larger aircraft. Page 2

German exchange probe: Investigations into trading irregularities uncovered on the Deutsche Terminbörse, the German futures and options exchange, have unearthed evidence of potential widespread improprieties. Page 15

Norway's whalers set to sea: A Norwegian whaling vessel set to sea to hunt commercially for the first time since 1987 in defiance of a global moratorium. Norway refuses to be cowed, Page 3

Swiss ease finance houses rules: Conditions under which foreign controlled securities houses in Switzerland can participate in Swiss franc bond underwriting syndicates have been eased. Page 3

China asks BA for advice: China's Civil Aviation Authority has approached British Airways for help to modernise its fast-growing airline industry. Page 2

Vichy police chief killed: Rene Bousquet, the French Vichy regime police chief who, in collaboration with the Nazi Germany, ordered the round-up and deportation of thousands of French Jews, was shot dead at his Paris home.

Italian corruption probe widens: The aerospace sector and business and aviation contracts have come under investigation by Rome magistrates. Page 3

Turkish economy minister resigns: Turkey's economy minister, Tansu Ciller, resigned – freeing her to stand as a candidate for prime minister at a convention of the conservative True Path party. Page 2

Kazakh oil deal: Seven western companies sign a preliminary agreement today in a Caspian Sea oil exploration deal potentially worth several billion dollars. Page 32

FT weather forecast: The Financial Times is expanding its weather coverage to include maps and extended forecasts, as well as maximum temperatures expected on the day of publication. Thick black lines on the maps denote weather fronts. Those with triangles are *cold fronts, those* with blobs are warm and those with both symbols indicate where the two are combined. The new service is compiled by Meteo Consult of the Netherlands. Page 14

■ STOCK MARKET INDICES

FT-SE 100:	2844.4	(-0.4)
Yield	4.05	
FT-SE Eurotrack 100	1168.70	(+0.92)
FT-A All-Share	1407.88	(+0.1%)
Nikkei	20,575.24	(-268.95)
New York: lunchtime		
Dow Jones Ind Ave	3509.89	(-22.14)
S&P Composite	444.62	(-3.07)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.178%
Long Bond	103
Yield	6.85%

■ LONDON MONEY

3-mo Interbank	6%	(6%)
Liffe long gilt future:	Jun 104 23/32	(Jun 104 11/16)

■ NORTH SEA OIL (Argus)

Brent 15-day July	$18.27	(18.035)

■ Gold

New York Comex Aug	$375.6	(375.7)
London	$375.35	(374.2)

■ STERLING

New York lunchtime:		
$	1.5227	
London:		
$	1.5185	(1.523)
DM	2.465	(same)
FFr	8.3025	(8.3075)
SFr	2.2125	(2.215)
Y	161.5	(163.5)
£ Index	79.0	(79.2)

■ DOLLAR

New York lunchtime:		
DM	1.6217	
FFr	5.4625	
SFr	1.4545	
Y	106.3	
London:		
DM	1.6235	(1.619)
FFr	5.4675	(5.455)
SFr	1.457	(1.4535)
Y	106.35	(107.3)
$ Index	63.8	(63.9)

Tokyo close Y 106.33

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45		
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220		
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200		
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20		
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00		
Finland	FM12	Kuwait	Fils 600	Poland	Zl 22,000	Tunisia	Din1.250		
France	FFr8.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000		
						UAE	Dh11.00		

Call for troops from Moslem countries and Scandinavia

EC casts net wider over Bosnia 'safe areas'

By Lionel Barber in Luxembourg

THE European Community called yesterday for stronger UN peacekeeping forces to defend "safe areas" in Bosnia, including the recruitment of troops from Moslem countries, Scandinavia and the former Soviet Union.

EC foreign ministers backed the recruitment plan in Luxembourg after Lord Owen, the EC mediator, warned of a risk of Serbia and Croatia carving up Bosnia and creating a new "Palestine" in Europe for the Moslem population.

Ministers will present the new initiative to Mr Warren Christopher, US secretary of state, in Luxembourg today, amid thinly veiled disappointment that the Clinton administration has only offered air cover.

The absence of US troops has cast doubts on the effectiveness of the safe-area plan, and Lord Owen criticised the US decision to hold back. "If UN peacekeeping is to succeed, it is debilitating if the US, as the most powerful country in Nato, is not prepared to put in ground forces."

Mr Christopher is expected to be questioned closely by the Europeans today on whether the US intends to contribute ground forces in the event of a political

■ Croats flee Moslem assault on Travnik Page 2

■ Future must be settled from within Page 13

settlement as in the Vance-Owen peace plan.

The drive to expand the UN peace-keeping force is to be led by Mr Boutros Boutros-Ghali, UN secretary-general. It marks a desperate effort to plug the gaps in the peace-keeping force, which has been stretched to breaking point by the recent upsurge in fighting between Serbs, Croats and Moslems.

Mr Douglas Hurd, UK foreign secretary, sought to remove doubts about the effectiveness of safe areas. He said he was confident that new rules of engagement could be quickly drawn up so that UN forces could defend themselves under attack, if necessary by calling on US, UK or French air power.

The original idea of appealing for a wider international force, including the sensitive issue of Moslem troops, appears to have come from the UK and France, the main contributors to the UN peace-keeping effort. Both say they are unwilling at present to go beyond their contingent of 2,300 and 5,500 troops respectively.

British and French officials listed at least half a dozen countries to be solicited for troop contributions: Russia, Belarus, Ukraine, as well as Morocco, Tunisia, Pakistan and unnamed Scandinavian countries. Turkey's position remains questionable because of Greek sensitivities and the risk of a wider Balkan war.

Estimates of how many troops will be required to defend the "safe areas" also varied wildly between 5,000 and 30,000 troops, with the French and British keen to avoid measures that might be either too provocative or risk sucking their own troops into the conflict.

Lord Owen presented the putative international force as an "east and west European initiative" with the Nato alliance acting as a strategic planner, first for defending the designated "safe areas" and later for implementing the Vance-Owen plan. That would inevitably mean Serbia relinquishing territorial gains, if necessary by force, he said.

A Bosnian Serb soldier helps a Croat family who were among the thousands that fled from the Moslem-held town of Travnik

France agrees to ratify EC-US deal on oilseeds

By David Gardner in Luxembourg and David Buchan in Paris

FRANCE yesterday agreed to ratify the EC-US agreement on oilseeds, but stressed that it still could not accept the parallel deal on the farm chapter of the Uruguay Round.

Both agreements were reached last November in Washington but had been held up by French objections.

The oilseeds accord, due to be passed last night by EC foreign ministers, is a vital building block for an overall deal in the Uruguay Round negotiations on trade liberalisation. The deal will, for the first time, allow the EC to present a unified position on other unresolved issues in the current round of the General Agreement on Tariffs and Trade.

However, French ministers emphasised that they were not withdrawing their objections to the Washington farm accord. "We have obtained from our partners and the Commission a certain number of clarifications which enable us to participate in the accord," Mr Alain Lamassoure, France's minister for European affairs, said.

Mr Gerard Longuet, the French trade minister, said France's acceptance meant that it had "broken out of its isolation" within the EC on world trade.

The breakthrough on oilseeds took place when EC farm ministers decided on May 27 to increase substantially compensation to farmers for "set-aside", the land they have to take out of production to comply with reduced output targets under the Uruguay Round and EC farm reform. France will get a large share of the extra spending.

But yesterday, Mr Lamassoure said France had also secured a declaration from its partners that the oilseeds agreement was separate from the farm chapter restraints on subsidised exports agreed with the US. Mr Alan Juppe, the French foreign minister, described that agreement as "totally unacceptable."

Mr Lamassoure said a "more equitable" distribution of the area on which oilseeds output is calculated had also been agreed, in a formula favouring France. Moreover, the Commission had agreed toproduce by 1996 a programme to stimulate the production on set-aside land of crops for industrial use, such as bio-ethanol fuels, in which France has a growing interest.

Under the previous French government, France had strongly opposed the Washington deal, even though it was a better outcome than the then French bottom line.

Mr Edouard Balladur, the French prime minister, is due in Brussels tomorrow to press the case outlined in France's recent memorandum on the Uruguay Round talks, which Mr Juppe said had been well-received.

But Mr Klaus Kinkel, foreign minister of Germany, France's closest ally, said the memorandum was "not God's gift to world trade."

There is growing irritation within the EC at indications by French officials that Paris will require more expensive concessions to consider a Uruguay Round farm settlement.

Sutherland on course to head Gatt, Page 5

Top Aids scientist urges curbs on AZT treatment

By Paul Abrahams in Berlin

THE TOP scientist in the largest-ever trial of AZT, the Aids treatment produced by Wellcome of the UK, urged yesterday that the drug should not be used in HIV-positive patients who have yet to develop symptoms of the disease.

The recommendation by Dr Maxime Seligmann, chairman of the co-ordinating committee for the Anglo-French Concorde trial, comes as a further blow to Wellcome. Shares in the company, which suffered badly in April when preliminary results of the study were announced, fell 25p to close at 728p.

AZT is Wellcome's second-biggest selling drug, and a significant number of those for whom it is prescribed have tested positive for HIV antibodies but remain outwardly healthy.

Setting out the findings of the study to the annual international Aids conference in Berlin, Dr Seligmann said AZT did not slow the development of the disease in such patients, did not extend life expectancy and failed to improve quality of life.

"Given the side effects, the number of blood tests required and the drug's cost, and given its limited and transient effect, it is better to save AZT for later when the patient is developing Aids." Dr Seligmann said.

Countering criticism of the methods used in the trial, he said that between the drug and a placebo there was "no difference in the speed of progression to either disease or death".

The trial lasted three years and was the longest ever conducted. It showed that 266 of the 887 patients on AZT either died or developed Aids or Aids-related complex.

Among the 872 on the placebo, 283 died or developed the diseases. Previous studies had suggested AZT slowed the development of the disease, but those had not followed patients for as long as the Concorde trial.

Dr Seligmann said the Concorde trial had not tested the efficacy of AZT in patients who had already developed Aids. It had also not tested the drug in combination with other medicines.

He acknowledged that there was some evidence that AZT assisted in maintaining levels of the CD4 cells, which help the immune system to protect the body. However, the benefits were limited and did not last long, he said. That also cast serious doubt on the use of CD4 counts as a marker for the efficacy of anti-HIV medicines being used on their own, he argued.

Dr Paul Fidian, Wellcome's head of virology, questioned the conclusion that it was not worth

Continued on Page 14

London stock market, Page 29

ITT reshapes car parts side as makers demand price cuts

By Christopher Parkes in Frankfurt

ITT of the US yesterday announced a sweeping shake-out of its $3.5bn-a-year international automotive parts business to reinforce its bargaining position with cost-cutting vehicle makers.

The main focus of the restructuring will be Germany, where the motor industry is making the most urgent and stringent demands for cheaper components.

According to Mr Klaus Lederer, who will head a new group, ITT Automotive Europe, Mr Ferdinand Piëch, the Volkswagen chairman, wants prices reduced by 30 per cent over the next three years.

In response, Mr Lederer plans to pass the pressure down the line to his outside suppliers. His operations' present list of 2,000 parts makers will be reduced by 30 per cent within two years, he said yesterday.

Key to the restructuring is the merger of ITT's five hitherto stand-alone German businesses – Alfred Teves, SWF, De Koning, WIVO and ITT Bergneustadt – which will be rolled up into ITT Automotive Europe. Under Mr Lederer's leadership, that concern will be responsible for all the group's brake and electrical systems businesses, including 11 German plants and a further 14 outside Germany.

■ VW turns to UK parts Page 7

■ Opel finds east German industry full of promise Page 14

■ Ford-Werke losses Page 15

Keystone of the operation, according to Mr Lederer, will be Teves, the world's leading supplier of braking systems.

He will run the new operation from the existing Teves headquarters in Rödelheim, near Frankfurt, reporting to Mr Timothy Leuliette, president of the parent, ITT Automotive, based in Auburn Hills, near Detroit.

At present the parent, part of the DM22bn ($13.6bn) ITT electronics-based group, runs nine separate operating subsidiaries with 71 factories in 11 countries making 17 different product lines.

From July 1, those will be organised into three profit centres, each responsible for specific product groups. The biggest will be ITT Automotive Europe, employing more than 17,000 people, including 13,500 in Germany, and with annual sales of DM4bn.

Metal parts and pipe systems, with 6,600 workers and sales of DM1bn from 26 plants and offices, will operate from Auburn Hills, as will the spares business, with sales of DM500m and about 2,500 employees.

According to Mr Lederer, the new European unit, buying in DM1.8bn of parts a year, will have virtually double the purchasing power of Teves alone. *For the whole group, apart from* strengthening its strategic position vis-à-vis customers, the changes would strengthen its competitive position and cut costs.

The restructuring, planned since September last year, is the first full-scale response from a component maker to the mounting pressure on its prices and margins from western vehicle makers.

VW, for example, says it suffers a 20 per cent cost disadvantage in comparison with French carmakers, and 30 per cent and more against the Japanese.

CONTENTS

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FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday June 9 1993

INSIDE

MFI makes pile out of Carpetright

The flotation price of Carpetright, the UK carpet retail chain run by Sir Phil Harris (left), has been set at 148p, the top end of expectations. This values the group at £113.6m, and MFI Furniture Group, will sell its 20 per cent stake when the shares come to market, raising £21.5m. MFI invested £1m in Carpetright when it was set up in 1988 and has commercial links with the chain. Maggie Urry reports. Page 22

Rhone-Poulenc writes off $77m

Rhone-Poulenc Rorer is to take a one-off, pre-tax charge of $77m in the second quarter of 1993. The pharmaceuticals company, formed when the French state-owned chemicals company took a majority in the US drug manufacturer, said yesterday the charge will cover some previously-announced moves, primarily in the group's European operations. Page 17

Judgment day for ABSA

Week after week, bad news has followed worse for Amalgamated Banks of South Africa – a senior executive dismissed for alleged fraud, disputes about contracts entered into before a merger with Bankcorp, fraud in the vehicle finance section and controversy about ABSA forcing companies into liquidation. "Wait for the 1992-93 results before passing judgment," has been the standard reply of Mr Piet Badenhorst (above), the bank's straight-talking chief executive. These came out on Monday and he now talks to Philip Gawith. Page 18

Black sea under Caspian Sea

"Oil geologists are salivating at the formations they see." So says one western consultant describing prospects for tapping oil and natural gas reserves in the Caspian Sea. Steve LeVine explains why an insight into new states such as Azerbaijan, Kazakhstan and Turkmenistan is rapidly becomings required knowledge for oilmen. Page 24

Dividend boost from Unigate

Unigate's profits jumped sharply in the year to the end of March and the food and distribution group is the lifting its dividend for the first time in three years. "It is a clear signal of our confidence," said Sir Brian Kellett, chairman. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Beiersdorf	759	+	14	Essilor Int	454.5	+	11.5
Linotype-Hell	445.5	+	5.5	Geophysique	606	+	18
Metallg'fechaft	305	+	8.5	Schneider	675	+	29
Falls				UFB Locabail	274.5	+	10.5
Asko Prf	520	-	13	Worms Cie	240.9	+	5.9
Philips Kommun	531.5	-	18.5	**Falls**			
VEW	275.5	-	3.5	Fonc Lyonnaise	580	-	20

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Citicorp	28¾	+	½	Fujikura Kasei	520	+	62
Falls				Kurabo Ind	510	+	1S
Apple Computer	48¼	-	2¼	**Falls**			
Caesar's World	44¾	-	2¼	Alps Electric	1210	-	80
Cooper Tire	24⅝	-	½	Sanyo Pharm	985	-	35
Intel	56⅝	-	1⅝	Dai Npn Toryo	488	-	24
Promus	38⅛	-	4⅛	Fuji Spinning	576	-	25

New York prices at 12.30.

LONDON (Pence)							
Rises				**Falls**			
Barr & WAT A	231	+	12	BAA	753	-	17
Br Aerospace	409	+	22	BSS	484	-	23
Chilington	34	+	3	Bentalls	86	-	10
Higgs S Hill	104	+	14	Fisons	149	-	8
Ingham	131	+	11	Frost Group	192	-	22
Kembrey	16	+	2½	Phonelink	236	-	14
Lon & Assoc IT	36	+	3	Sims Food	129	-	53
McKay Sec	130	+	10	Smith Beecham A	435	-	14
Oriflame Intl	244	+	18	Southend Prop	70	-	12
Unigate	355	+	20	Wellcome	728	-	25
Union Discount	148	+	11	Yorks Chems	377	-	13
Whitney Mackay	27	+	7				
Wilkes (J)	93	+	5				

Skandia shareholders sell 43% stake

By Christopher Brown-Humes in Stockholm and Sara Webb in London

A LONG ownership struggle in the Scandinavian insurance sector drew to a close yesterday as two controlling shareholders in Skandia, the Swedish insurance group, sold their stakes in a deal valued at SKr3.2bn ($445m).

Uni Storebrand, Norway's largest insurance group, and Hafnia, the Danisb insurance company, *sold their combined 43 per cent* stake in Skandia to a group of securities houses comprising BZW, of the UK, Carnegie International, of Sweden, and Sundall Collier and Fondsfinans, of Norway.

Tha shares were, in turn, placed with European and US investors at a price of SKr 105 per share, giving the deal a price tag of about SKr 3.2bn.

"With the completion of this transaction, Skandia is once more in an unaligned position," said one investment banker.

The abortive attempt by Uni Storebrand and Hafnia to take over Skandia was tbe most important reason for the collapse of Uni and Hafnia last year. The value of their holdings fell dramatically after Skandia refused to go along with their scheme of pan-Nordic insurance co-operation.

Hafnia Holding last month filed for bankruptcy under the weight of debts of DKr 6.5bn ($1bn). It had already sold its bealthy insurance operations to fallow Danish insurer Codan in March hut the 15 per cent Skandia stake was not part of that.

Norwegian authoritles hava recently approved a NKr 4.5bn ($655m) recapitalisation plan for Uni Storebrand. An earlier plan was to spin off the 28 per cent holding in Skandia into a wholly owned separate company. Norway's finance ministry said last week that Uni needed to sell its Skandia shares for at least NKr 1.4bn.

Skandia's share price has been overshadowed since it hecame clear that both Hafnia and Uni Storehrand desperately needed to sell their stakes a year ago.

Yesterday's deal does much to tie up the loose ends caused by *the abortive take-over* attempt. The price, however, is well below the average price originally paid for the shares. Uni Storebrand paid an average of SKr 220 per share for its holding of 21.5m Skandia shares.

According to Skandia's annual report, Skandinaviska Enskilda Banken has a 4.9 per cent stake in Skandia and Finnish insurer Pohjola an 11 per cent bolding.

Alleged illegality at German exchange

By Tracy Corrigan

INVESTIGATIONS into trading irregularities uncovered last month on the Deutsche Terminbörse, the German futures and options exchange, have unearthed evidence of potential widespread improprieties, involving up to 15 peopla.

"It *is possible* that a circle of traders is involved," said an official at the DTB. He added that employees of more than one DTB member firm may be implicated, as well as of some non-member firms, including foreign institutions.

Some of the individuals involved in trades may have acted without knowing what was going on.

It has also emerged that two of the three traders suspended by the exchange last month were employees of Bayerische Hypotheken-und Wechsel-Bank (Hypo-*bank), the Munich-based German* bank.

The two dealers traded a wide range of contracts on the DTB's screen-based trading system, from Hypo-bank's Frankfurt office.

The case is being pursued by the prosecutor's office, but no arrests have yet been made.

According to Mr Josef Wertschulter, a member of the Hypobank board, losses to Hypobank are estimated at DM500,000 ($312,500) to DM1m, a relatively small sum which tbe bank expects to bo able to cover, following the seizure of the assets of the individuals involved.

"We have got e hot trail to follow," said Mr Wertschulter.

The irregularities were uncovered several months ago by the DTB's own surveillance. "This demonstrates to the market thet our supervision works," a DTB official said. The trading irregularities may have been detected because traders were making highly favourable prices, out of line with the rest of the market, to certain accounts.

The authorities then have to prove that the dealers concerned were compensated for offering favourable prices, with funds going into separate personal bank accounts.

Although illegal practices in the futures markets have become less frequent, tbe reputation of the futures business is still recovering from a case of illegal trading in the US which culminated in a Federal Bureau of Investigation operation at the Chicago Mercantile Exchange in 1989.

Wolfgang Hilger: standing down

Jürgen Dormann: taking over

Finance chief takes top job at Hoechst

By Christopher Parkes in Frankfurt

THE HEAD of Hoechst, Germany's biggest chemicals group and recently the focus of fierce controversy over industrial safety, will be replaced next year by tha group's finance director, Mr Jürgen Dormann.

Mr Wolfgang Hilger, 63, will obey the company's "unwritten law" on retirement age and hand over at the annual meeting next May, a spokesman said yesterday. He will be 65 in November next year.

A decision on whether he will follow the customary route for retiring top managers and join tbe group's supervisory board, will not be taken until next spring.

Mr Dormann, 53, has worked at Hoechst for his entire career of almost 30 years. He joined the group from university where be studied economics. His promotion marks an interruption of a long tradition of scientifically trained chairmen in the group.

He staked his claim for the top post in the mid-1980s wben he was the driving force behind Hoechst's purchase of Celanese, of the US, which not only widened tbe company's presence in fibres, hut also greatly improved its standing in north America.

Mr Dormann is also credited with strengthening tbe group's anti-takeover defences. His appointment was believed to be stoutly supported by the banking representatives on the supervisory board, including Mr Wolfgang Röller, chairman of Dresdner Bank.

The bank, together with an insurance group, bas held 10 per cent of the stock since 1991.

Hoechst was forced to slash its dividend for 1992 from DM12 ($7.50) to DM9 ($5.60) after an 18 per cent drop in pre-tax profits. Earnings fell a further 28 per cent in the first quarter of the current year as the German recession deepened and foreign markets remained depressed.

A series of 15 accidents, mostly in and around Frankfurt, in whicb one man was killed, redoubled Mr Hilger's difficulties in tbe early part of this year. Despite charges that be responded too little and too late to the events, he put tbeir "statistical frequency" down to "fate", and claimed a job in a Hoechst factory was safer than one in a shop.

Ford of Germany plunges into loss

By Christopher Parkes in Frankfurt

FADING markets and befty restructuring costs plunged Ford's German subsidiary into a DM469m ($293m) net loss last year, the first since 1985, the company reported yesterday.

Mr John Hardiman, chairman of Ford-Werke, said the charges for a rationalisation programme introduced last antumn added DM814m to 1992 costs. Without this burden the company would hava shown a pre-tax profit of DM400m, compared with DM142m in 1991.

Production in the first half of this year was down 15 per cent at 459,000 vehicles and unit sales had fallen 17 per cent to 469,000. Prospects for the full 12 months were "rather gloomy."

According to Mr Norbert Kühne, finance director, 1993 results would be hard hit by turbulence in foreign exchange markets. In the year so far, sterling was still registering a 16 per cent devaluation against the D-Mark compared with the same period in 1991. The lire had devalued 21 per cent and the Swedish crown 21 per cent.

The company expected that total German new car registrations would fall 23 per cent, he added. This compares with more common forecasts of a 20 per cent fall from other leading German motor manufacturers.

Mr Kühne said, there was a trend among German customers to buy smaller cars which offered manufacturers smaller margins. Since 1990, the proportion of the German industry's domestic sales accounted for by these vehicles had risen to from 52 to 59 per cent.

Mr Hardiman said a positive aspect was the introduction of the Mondeo, the company's replacement for the Sierra. About 188,000 had been built in the first half, a 35 per cent improvement on its successor. Another was that Ford-Warke had increased its European market share to 12.1 per cent from 11.8 per cent.

During 1992, although overall sales remained stable at DM22bn, domestic turnover tumbled 17 per cent to DM8bn while exports rose 10 per cent to DM14bn, raising the proportion of export turnover to 64 per cent, compared with 57 per cent in 1991. Manufacturing costs fell hy 1 per cent to DM20bn, according to Mr Kühne.

Vodafone plans spending boost

By Andrew Adonis

VODAFONE Group, the mobile telepbone company, yesterday reported a 19 per cent increase in pre-tax profits and said it planned to increase its investment and capital spending by more than half.

The company vies with Cellnet for dominance of the UK mobile market. Pre-tax profits rose from £271.8m to £322.5m on turnover of £585.3m, against £664.1m, in the year to March 31.

Capital spending is projected to rise to £300m this year, compared with £190m. About £170m will be invested in the UK, mainly on the company's advanced digital network – built to the pan-European GSM standard – and on its micro-cellular network.

The priority for the £130m overseas investment programme is construction of national GSM-standard networks in Australia and Greece. Vodafone also has a network contract in Germany and says its paging business in Spain sbould soon secure a mobile licence.

The company also announced a joint venture with South Africa's Rembrandt Group and Telkom Ltd to operate South Africa's first cellular telephone network. The joint venture, in whicb Vodafone will have a 35 per cent stake, is about to submit an application for a 15-year R100m ($31m) cellular licence.

Mr Gerry Whent, chief executive, said subscriber growth was strong. There had been surprisingly low levels of migration by business customers to the low-user tariff introduced last autumn.

Cellnet gained more new customers than Vodafone in the first three months of the year, after an sggressive marketing campaign. But Vodafone pulled ahead again last month, and claims 56 per cent of the total mobile market.

Mr Whent said he expected to increase his subscriber base from 838,000 to more than 1m in the coming year. He projected annual compound growth in the mobile market of 22 per cent to the year 2000, by which time 10 per cent of tbe population would have a mobile phone.

However, be conceded that Vodafone would soon bave to make tariff "adjustments" to counter the impact of Mercury One-2-One, which is about to launcb its PCN network within the M25 area, cbarging prices around 40 per cent below those of Cellnet and Vodafone. More than a quarter of Vodafone's traffic is within the M25.

Earnings per share were 22.07p (18.38p). A final dividend of 3.53p makes a total of 6.96p, a 20 per cent increase.

Lex Page 14

Vodafone chief executiva Gerry Whent and Vodac's David Henning

Norwegian group interim result hit by investment arm

By Karen Fossli in Oslo

ORKLA, the Norwegian group with interests ranging from branded consumer goods to chemical processing, yesterday reported e decrease in four-month pre-tax profit to NKr303m ($43.9m) from NKr415m last year.

The weaker result was attributed to a much worse performance by the group's investment business which contributed just NKr16m to group interim pre-tax profit against NKr270m last year.

Realised gains on shares fell to NKr53m in this year's four-month interim period from NKr385m last year, while unrealised gains shot up to NKr774m from NKr84m. Orkla said the aggregate market value of the share portfolio was NKr4.88bn at the end of April.

On the Oslo bourse yesterday, Orkla's A shares shed NKr3 to NKr181; B sharas dropped NKr3.50 to NKr187.50 as free shares fell NKr4 to NKr188 on the weaker result.

Group operating profit rose by 32 per cent to NKr321m in the interim period from NKr243m last year due to growth in volume, higher productivity and increased market share.

Group sales in the four-month period increased to NKr5.52bn from NKr5.42bn last year.

Orkla said its brandad consumer goods business lifted operating profit by 20 per cent to NKr242m from NKr201m, in spite of a continued low growth rate in the domestic consumer goods market.

"In particular, household products, food and media contributed to the advance," Orkla said.

Household products saw operating profit rise to NKr112m from NKr70m while food products increased to NKr87m from NKr71m. The media business more than doubled operating profit to NKr30m from NKr14m.

Orkla eaid lower operating profit by the beverage business – which was more than halved to NKr10m from NKr22m – was mainly due to investments in new capacity related to new activity in Poland.

FINANCIAL TIMES
Wednesday June 9 1993

Opel's new slimline plant is full of east German promise

Eisenach swaps its old Wartburgs for high technology and Japanese methods, Christopher Parkes reports

In Eisenach, where once 10,000 East Germans laboured to build 100,000 rattle-trap Wartburg cars a year, Adam Opel is just three months away from its target of producing 125,000 vehicles with less than 20 per cent of the old workforce.

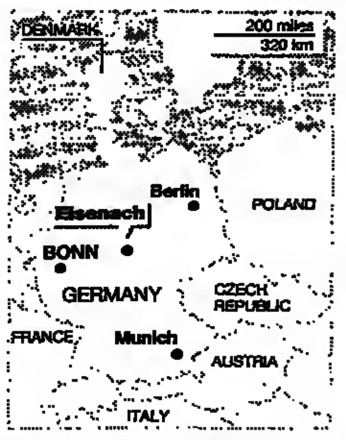
While most other German car plant managers are contemplating more job cuts or the prospect of continuing short-time working into the second half of the year, the management at General Motors' newest European plant is preparing to recruit at least 600 new people for a third shift.

Mr Jeff Bell, one of 10 advisers guiding the new works through the final stages of its start-up phase, relishes the comparison with the bad old days. But the young Canadian is more concerned with relating the Eisenach plant's performance to the bad old ways of its real-life peers and competitors.

Patrolling the walkway above the robotised welding line in the bodyshop, where human beings do just 2 per cent of the work, he tots up the advantages of Opel's showpiece works. According to measuring standards set by Massachusetts Institute of Technology, it takes 18.3 hours to build a car in Eisenach, compared with about 30 hours in the group's works in Bochum, western Germany, and Zaragoza in Spain.

The so-called MIT number at GM's British subsidiary, Vauxhall, is about 25. "But the quality is not very good," Mr Bell says. "We make the best Astra in Europe," he boasts, claiming that cars come off the Eisenach lines with only half a dozen defects each, compared with 20 at Bochum and 14 in Britain.

Nevertheless, the works is much more than a modern car factory. It serves as a test site for lean production methods and team working, as a training ground for new management and as an example to prove that in spite of the country's much dis-



cussed disadvantages, making cars in Germany is and can remain an economic, competitive proposition.

Mr Bell waves a hand across his super-lean "buffer" stock of 10 underbodies, built up to keep work going further down the line if there is a fault in the body shop. "There would be 365 in Bochum. A long buffer is inventory. It costs money," he says. "If this line breaks down, we have 20 minutes to fix it before the next production stage runs out of work. They have six hours at Bochum."

Down on the final assembly line, Mr Chris Honda, another Canadian import from GM's Cami joint venture with Suzuki in Ontario, points to typical on-hand stocks of parts sufficient for only two hours' work, compared with days'-worth elsewhere in the group. Hourly deliveries from the nearby Lear seat factory trundle overhead.

The merits of Eisenach's methods were recognised early by rival Volkswagen, which late last year lured away the plant manager, Mr Jürgen Gebhardt, and installed him as production director at its Audi subsidiary.

Mr Gebhardt's crucial role, his former colleagues say, was in persuading the workforce to accept flexible working practices unknown in western Germany. "He did things with the works council that no one else in Opel could have done," one claims. As a result, demarcation lines have virtually disappeared.

For example, the Eisenach body shop employs 10 skilled plant maintenance people a shift, compared with 300 in Bochum. Although the new plant is far smaller, company officials insist the comparison is valid.

The key difference is that when a western German line stops through breakdown, non-maintenance workers sit on their hands while it is put right by the maintenance staff. At Eisenach, idled workers pitch in to help.

Eisenach is a new works, unashamedly Japanese-inspired and custom-built to 21st-century demands. Already it is proving its worth. Not least noteworthy is that it is able to compete in cost terms with GM's low-pay Zaragoza factory in the production of GM's new small car, the Corsa (sold as the Vauxhall Nova in Britain). VW, by comparison, has been forced by high German costs to move all its Polo production to Spain.

Nevertheless, as Mr Bell and Mr Honda readily admit, it cannot escape the consequences of its position as the most junior member of the international GM family, nor the realities of life in the worst downturn in the German motor industry since the war. Lacking its own presses, it relies on the Bochum and Spain for body parts. "I'd like us to build as much as we could and keep quality control under one roof," Mr Bell says. Mr Honda also cites quality as an argument for the new works' having more local sources. "But Opel wants only one supplier for each part for Spain and Eisenach," he says.

Meanwhile, in spite of the quality record, the plant's Astra output is being switched to Bochum, where recession has forced the introduction of short-time working. That will leave Eisenach with the Corsa as its only product, and postpone full-scale testing of its designed ability to produce up to seven vehicle variants on a single line.

Eisenach is a small fish in the group's manufacturing pool. "You have to remember that GM sells 1.7m cars a year in Europe, and we have capacity to make only 150,000 of them," Mr Bell notes.

For all that, it has a potentially more important role as a breeding ground for what Opel calls its "missionaries" to spread the new manufacturing technology and philosophy. The man who set up its state-of-the-art paint shop is now working at Vauxhall in Ellesmere Port in the UK. Mr Honda's predecessor is now managing a plant of his own in Georgia in the US.

Something more than missionary zeal is required, though. Mr Honda, only eight months in Germany, recognises the scale of the task confronting him and his colleagues when their turn comes to spread the message.

"It is one thing to succeed with a new plant on a greenfield site, manned by new people who have no prejudices or preconceptions," he says. It is quite another to succeed in places where factories, ideas and attitudes have been established for decades.

THE LEX COLUMN

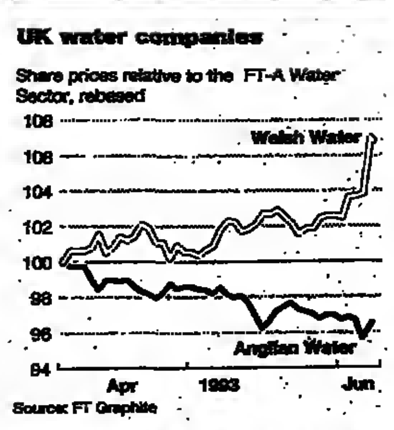
Vodafone calls collect

Vodafone has a charmingly ruthless approach to maximising value for its shareholders. By any measure the return on capital of its UK cellular phone operation is extraordinary. Operating profit is 46 per cent of sales and cash flow is 58 per cent. Vodafone clearly intends to milk the highest returns it can from this franchise for as long as possible. To that end it is developing a variety of offers to separate its lucrative business users from the lower cost alternatives like Mercury's "one-2-one" service which is about to be launched.

So far the company has been successful in defending its revenue base. It has been helped by apparently price-insensitive customers, few of whom have bothered to switch down to the low-usage tariffs despite the fact that many would be better off. Cellnet has been a weak competitor and, given the similarity in pricing combined with the high returns, there is an argument that competition is not working. Indeed, were it not for the variety of standards about to be introduced, the case for an investigation of pricing by the Office of Fair Trading might already have proved overwhelming.

Still, Vodafone cannot defy gravity forever. The company hopes for growth in the UK market, and judging by recent connection figures there is a new nest of chirruping yuppie chicks somewhere. It has also bought overseas franchises to generate future sales. But foreign authorities may take a dim view of excess profits from cellular operations as the price of technology falls. Even the UK government may eventually get the same message.

FT-SE Index: 2844.4 (-0.4)



Anglian Water

Anglian has come off badly during the recent de-rating of the water sector. With capital spending weighted towards the second half of the decade, it was always geared to the outcome of next year's regulatory review. All the more so since its customers are apparently willing to accept higher bills in the interests of higher standards. Of course Anglian stands to gain more than most from a generous settlement with the regulator. By favouring companies with small capital programmes such as Welsh, the market prefers to believe the worst.

Ofwat's obligation to ensure that Anglian can fund itself is some comfort. Allowing interest cover to drift much below three times would leave little to chance. Debt finance could be supplemented by a rights issue, but without attractive prospects for dividend growth Anglian would have to pay a punitive price for fresh equity and Ofwat is committed to ensuring the companies' cost of capital remains reasonably low.

The worry is that Ofwat might argue that profits rather than balance sheets should take more of the strain from 1995. More manpower and less expensive equipment, for example, might result in just as clean water. Cheaper capital equipment with a shorter life could also cut capital spending in the short run – but only at the expense of higher depreciation. Such a spending strategy dampened Anglian's profits growth last year. Going into negotiations with Ofwat some moderation of profits is doubtless desirable, but one wonders whether the regulator is taking note.

Unigate

Unigate's dividend increase suggests it must be anxious to convey the impression that it has turned the corner. Mr Ross Buckland, who has now notched up nearly three years as chief executive, has indeed sharpened the company's focus: a string of disposals and acquisitions confirms its primary interest in food and related distribution. That process will surely continue, but the change has yet fundamentally to transform the bottom line.

Without the £4m reduction in the pension charge, underlying profits would have risen by a mere 2 per cent. That increase in turn was due entirely to a lower interest charge, itself a function of the timing of disposals and acquisitions as much as lower rates. The delay in disposing of the US restaurant business means the interest charge will rise again this year. Much now depends on the degree to which Unigate can manage genuine economies of scale in milk, and here the jury is still out.

Though the dairy division's operating margin rose last year to 8.4 per cent from 7.5 per cent, the company is curiously evasive about how precisely this was achieved. The lower pension charge will have helped, as will the policy of franchising out milk rounds and shedding less lucrative supermarket business. But it will take more than that to combat the inexorable pressure on margins as consumers switch from home delivery to supermarket purchases. The shares are helped by a yield of nearly 6 per cent, but, without more evidence of growth, they are in need of such a prop.

Great Portland

That expectation is far more powerful than reality in the property market these days is graphically demonstrated by Great Portland Estates. Despite a dilutive £95m rights issue, a 16 per cent fall in asset values, and a probable 20 per cent dividend cut for 1994, the company's shares sailed 4 per cent higher yesterday. One only wonders what would have happened if it had some really bad news to report.

To be fair, Great Portland has earmarked the rights proceeds for worthy purposes. Unlike some of its peers, it is not seeking fresh funds simply to reduce gearing and take the pressure off management to make disposals. The company wants to continue diversifying away from central London real estate. Some £70m will be used for specified acquisitions; another £20m will be spent on redevelopment. Those investors with sufficient patience should be rewarded.

Over the past 30 years, the property sector has swung between periods of massive underperformance or outperformance against the market. Its general direction has invariably proved more important than its precise valuation. Having sunk so low, it is hardly surprising that its current rebound is so sharp. The entire property sector was worth less than Grand Metropolitan at its nadir last September, accounting for just 1.2 per cent of the FT-A All-Share's capitalisation. Since then, the sector has doubled in value. But there is still a long way to go: at their last peak in 1988, property shares accounted for 4.2 per cent of the market's value.

Further German arson attacks as anti-racist action is urged

By Quentin Peel in Bonn and agencies

AT LEAST four more arson attacks on foreign homes and businesses were reported in Germany yesterday as politicians and community leaders called for firm action to combat racism.

Fourteen people, including six children, were taken to hospital suffering from smoke fumes after a fire in a house near Düsseldorf occupied by several Turkish families.

Separately, a Turkish restaurant-owner and his family escaped a blaze started with four incendiary devices in their home near Karlsruhe.

The security services fear that racist gangs have now begun copycat attacks, after the deaths of two Turkish women and three girls in the town of Solingen 10 days ago. Leaders of the Turkish community believe they may be co-ordinated by extreme right-wing groups.

Mr Ernst Uhrlau, regional chief of Germany's Office for the Protection of the Constitution in the northern port city of Hamburg, said his agents as well as police were largely helpless to stop the assaults on foreigners.

He said most attackers were too loosely organised to be tracked by his agents, who were trained to monitor extremist groups. "The moment that verbal racism is turned into acts of violence, the classical instruments of the constitutional protection office and the police fail to work," he said.

The government agreed yesterday to hold an emergency debate in parliament next week on the violence, and ways of combating racism. Chancellor Helmut Kohl, bitterly criticised for his failure to react more firmly to the latest attacks, will speak for the ruling coalition.

Changes in the laws on German nationality now appear inevitable. However, there is strong resistance in Mr Kohl's own Christian Democratic Union, and its sister party, the conservative Bavaria-based Christian Social Union, to calls for dual nationality.

Both the opposition Social Democrats, and the Free Democrats in the ruling coalition, back dual nationality for long-term residents.

Scientist calls for AZT curb

Continued from Page 1

using drugs early. He said a joint European and Australian study, to be published in the New England Journal of Medicine next month, would show there was benefit, the earlier the medicines were used.

It was also necessary to look at the dosing used in the Concorde study before drawing strong conclusions, he added. The trial had used a dose of 1 gram, whereas the most common dose was now 500mg in Europe and 600mg in the US. Patients were better able to tolerate the lower dose, and the virus built up resistance less quickly.

The study has been criticised because about 229 people on AZT and 280 on the placebo decided they wanted to ensure they were on AZT and switched because their health was deteriorating.

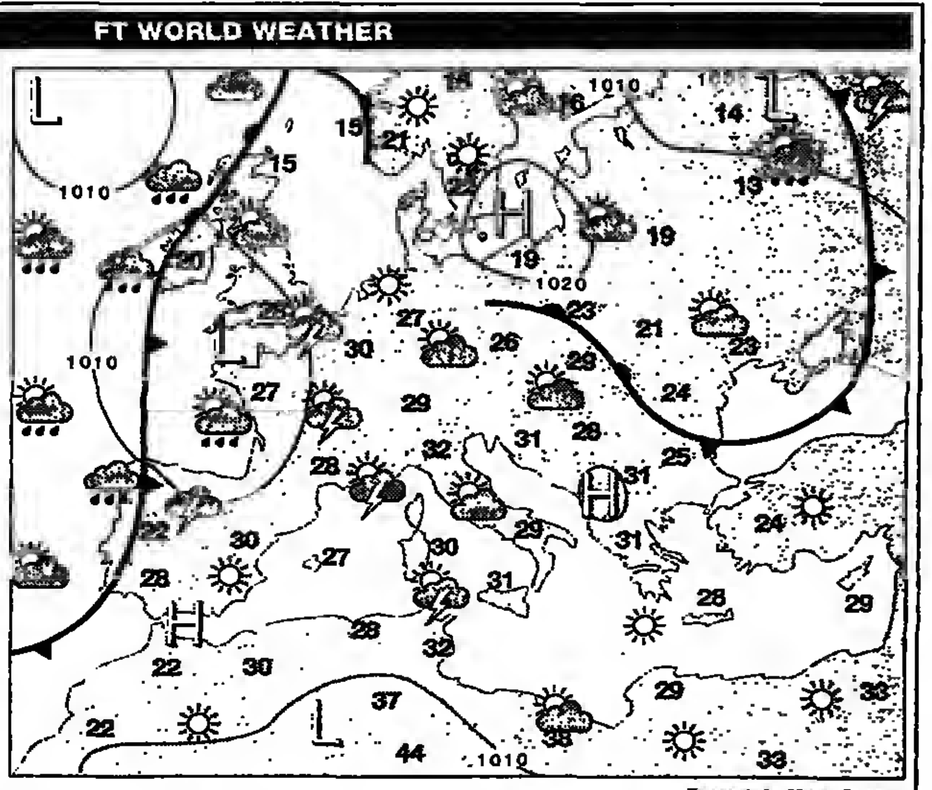
FT WORLD WEATHER

Europe today

Warm and fine across most of the continent with afternoon temperatures between 25 and 30 degrees. Late in the afternoon, some local thundershowers will develop in France and will move into southwest England. A cold front marking the leading edge of cool air will move very slowly east from the Atlantic. Near this front, some clouds and drizzle will occur in Ireland and Portugal. When the front reaches the hot air over Spain, it will trigger some afternoon thunder showers. Cool air will continue to spread across the Commonwealth of Independent States. In Finland and northwestern Russia, there will be some showers and a fresh northwesterly breeze.

Five-day forecast

Thursday will still be warm and humid with local thunder showers in western Europe. On Friday bands of strong thunder storms with gusty winds and some hail will move from southern France into southeast England and the Low Countries. In the wake of the thunder storms cloudy, windy and much cooler weather will affect the continent for the weekend. The maximum temperatures will drop to between 12 and 20 degrees with fresh northwesterly breezes.



Forecasts by Meteo Consult

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	fair	41	Berlin	fair	25	Chicago	thund	28	Faro	cloudy	23	Majorca	sun	28	Rangoon	thund	33
Accra	sun	30	Bermuda	sun	27	Cologne	sun	30	Frankfurt	sun	31	Malta	sun	30	Reykjavik	windy	13
Algiers	hazy	28	Birmingham	sun	28	Copenhagen	sun	21	Geneva	thund	27	Manchester	sun	26	Riyadh	sun	40
Amsterdam	sun	26	Bogota	fair	18	D' Salaam	fair	29	Glasgow	fair	23	Manila	thund	32	Rome	hazy	28
Athens	hazy	30	Bombay	fair	33	Dakar	sun	28	Hamburg	sun	23	Melbourne	shower	15	S' Francisco	sun	21
Bangkok	thund	35	Bordeaux	sun	26	Dallas	cloudy	33	Helsinki	fair	18	Mexico City	hazy	24	Seoul	fair	25
Barcelona	fair	25	Brussels	sun	29	Darwin	sun	32	Hong Kong	thund	31	Miami	fair	31	Singapore	fair	32
Beijing	rain	29	Budapest	fair	28	Delhi	hazy	45	Honolulu	fair	30	Milan	hazy	30	Stockholm	sun	19
Belfast	shower	21	Buenos Aires	fair	13	Dubai	fair	41	Isle of Man	fair	21	Montreal	shower	23	Strasbourg	sun	29
Belgrade	fair	28	Cairo	hazy	33	Dublin	drzzl	20	Istanbul	fair	26	Moscow	shower	14	Sydney	fair	16
			Cape Town	fog	16	Dubrovnik	fair	30	Jersey	thund	22	Munich	sun	28	Tel Aviv	sun	28
			Caracas	fair	32	Edinburgh	fair	21	Karachi	fair	37	Nairobi	fair	24	Tokyo	fair	21
									Kuwait	sun	44	Naples	hazy	31	Toronto	shower	23
									La Paz	sun	17	Nassau	fair	32	Tunis	thund	32
									Las Palmas	fair	25	New York	fair	33	Vancouver	rain	19
									Lisbon	rain	21	Nice	thund	26	Venice	sun	28
									London	sun	26	Nicosia	sun	27	Vienna	sun	26
									Los Angeles	fair	22	Oslo	windy	14	Warsaw	fair	22
									Luxembourg	sun	29	Paris	thund	25	Washington	sun	33
									Lyon	thund	29	Perth	shower	19	Wellington	shower	15
									Madeira	shower	22	Prague	cloudy	26	Winnipeg	fair	23
									Madrid	thund	28	R' de Janeiro	fair	24	Zurich	sun	29

FINANCIAL TIMES

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Wednesday June 9 1993

Tokyo's old, new wedding

PREPARATIONS FOR today's royal wedding in Tokyo have provided an effective diversion from Japan's worst economic downturn for almost two decades. For the country's political leaders it has had the added allure of distracting attention from the scandals undermining them. The ruling Liberal Democratic Party is impatient to declare the worst over – understandably, since the problems of the past two years have provoked calls for restructuring throughout society.

In politics reformist groups are attempting to force changes in Japan's corrupt electoral system. Three years of declining profits have obliged Japanese manufacturing companies to slash investment, rewrite the terms of the social contract based on lifetime employment, and revise many of the management strategies fashionable in the late 1980s. It will take several years for Japan's banks to restructure in response to their mounting bad debts, while the securities industry is still in parlous health. Nor have Japan's international relations been left untouched. The slump in demand for imports has helped to expand the Japanese trade surplus, and the US wants to renegotiate its trade relationship with Japan.

Many western critics believe all this presages sweeping change: a challenge to the LDP's dominance; liberalisation of the financial system and rationalisation of the weakest banks and securities companies; a rise in the cost of capital for manufacturing companies which will have to focus more on profitability rather than expansion of market share; a loss of social cohesion brought on by a rise in unemployment; the opening to international competition of closed Japanese markets.

Not much of this wish list is likely to be fulfilled. Where there is change it will make Japan's western competitors more uncomfortable. Japanese manufacturing companies could emerge in two years with much lower costs and higher productivity. Some Japanese car companies have set out to cut costs by 40 per cent in the next three years. The financial system is finely balanced. Mr Yasushi Mieno, the Bank of Japan's redoubtable governor, favours market disciplines to enforce restructuring, but many in the banking industry want the Finance Ministry, often a willing accomplice, to manage the crisis to avoid painful changes.

The prospects for far-reaching political change are even more limited, partly because the main opposition parties would suffer at least as much as the LDP under proposed electoral reforms. As far as social values are concerned, the *slowdown is not provoking a challenge* to the established order, quite the opposite. It was the brash, individualistic ethos of the "bubble era" which threatened traditional values. Now there is a new conservatism in the air, particularly for women, who are first to lose their jobs in a downturn.

Ms Masako Owada's decision to forsake her career as a diplomat to marry Crown Prince Naruhito may bring a modernising influence into the Imperial Family but it also symbolises the strength of tradition in Japan. That mixture of modernisation and conservatism is likely to remain the hallmark of Japan for years to come.

Party pris

THE FLIGHT of Mr Asil Nadir to northern Cyprus has left three government ministers facing accusations of improper behaviour after revelations that they had raised his case with the attorney general. Mr Michael Heseltine and Mr Peter Brooke have provided convincing accounts of their motives in doing this. Mr Michael Mates languishes under the impression that he behaved foolishly in giving Mr Nadir a watch *inscribed with a message which* appeared to disparage those responsible for clearing up the mess after the collapse of his business empire.

The fact that Mr Nadir was a significant contributor to the Conservative party has again raised wider questions over the funding of UK political parties. Reports that he sought help in adversity as a *quid pro quo* for gifts totalling £440,000 during the 1980s may be unfounded. But the secrecy surrounding donations to political parties makes it hard to counter the charge that wealthy individuals such as Mr Nadir are buying influence or political favours. The concern is heightened when the donations come from overseas, such as the £2m given to the Conservatives by the Greek shipping billionaire Mr John Latsis, or the sizeable gifts from two Hong Kong businessmen.

The Conservatives seem to be the principal beneficiaries of private generosity. But Labour, too, had its own embarrassment in the £30,000 given by the late Mr Robert Maxwell. Labour is also vulnerable to attack over the role of union funding in determining party policy. Mr John Edmonds' stark claim this week that the GMB general union expected a say in the party in return for its financial support has undermined Labour's attempts to portray itself as loosening the union ties and representing a wider constituency.

Greater disclosure of the funding of political parties would do much to avoid the accusation that wealthy donors are buying influence. Companies and unions are already required by law to publish details of political donations. Parties should be required to disclose donations over a modest limit made from individuals and other sources. Unless such a requirement is introduced, the suspicion will remain that *political parties* are swayed by the wishes of those who pay their bills.

Steel bullet

CLOSING STEEL plants is never popular. Not only does each employ thousands of people, often in communities with high unemployment. They are also a symbol of industrial machismo, echoing a time when steel production was the foundation of much economic activity. But unless the European Community's steel companies, which are expected to lose about Ecu4bn this year, take decisive action to cut capacity, the industry will become increasingly enfeebled, burdening the rest of the economy in the process.

A European Commission plan to resolve the crisis comes to a head next month when the Council of Ministers meets to thrash out whether governments should be allowed to aid their ailing companies. The industry's problems stem mainly from decades of politicisation. Governments have poured subsidies into new steel plants in mistaken job-creation initiatives. They have then pumped in yet more aid to prevent closures. Between 1975 and 1990, the industry is estimated to have received DM121bn in direct aid.

The Community needs a steel industry. But it should be slim and efficient, not bloated and loss-making. It is not just capacity that needs cutting – from about 130m tonnes a year to perhaps 100m tonnes – to bring supply into line with demand. Many big integrated plants will need to be replaced by lower-cost mini-mills.

The best way of achieving such a restructuring would be to allow the market to work. But the public-sector owners of the Community's most inefficient plants are determined to prevent closures. Italy, Spain and the Treuhand, east Germany's privatisation agency, want to give more handouts to Ilva, CSE and Ekostahl.

Italy argues its proposals do not involve Ecu4bn in aid, as the Commission claims, but are merely a rational restructuring. This debate has certainly been muddied by the Commission's decision to write-off debts owed it by Klockner-Werke, the near-bankrupt private German group, in superficially similar circumstances. Nevertheless, it is scarcely credible that private investors would be prepared to prop up loss-making companies on such a scale and for as long as their public-sector owners propose. The danger is that taxpayers' money will be wasted and more efficient, privately owned companies bankrupted.

The European Commission would like to take a tough line but has had to soften its approach in response to political pressure. Anti-dumping duties have been imposed on cheap imports from eastern Europe and limited aid will be allowed if accompanied by capacity cuts. The Commission's approach may still be rejected by governments. But, even if it passes, the consequent restructuring will probably be inadequate. The crisis could recur.

A better approach would be for governments to bite the bullet now. Their goal should not be to freeze economic development, but to ease adjustment by giving more generous grants than those already planned directly to redundant steel-workers and their communities. This would offer the best chance of creating new jobs in industries with a viable future. Such an approach would not only benefit Europe's taxpayers. It would also be in the best long-term interests of the steel industry and of most of those who currently work in it.

A tide that's not for turning

Remedies for persistent and rising unemployment in Europe are proving elusive, writes Edward Balls

Unemployment in developed countries has risen by nearly 3m since the Organisation for Economic Co-operation and Development began its investigation into the causes of persistent joblessness in its member countries a year ago.

The tally is expected to rise by a further 1m before the study is completed in June next year. By then, the OECD expects 36m people to be out of work, 8.5 per cent of member states' labour force.

Little wonder that high and rising unemployment has become one of the most pressing political issues, particularly in Europe where the bulk of the unemployed reside. The OECD's latest economic forecast says that, by the end of 1994, the jobless total will have risen to 8.25m in the US and 1.7m in Japan – but 23m in the European community.

The EC Commission, mindful of its commitment to European union, has recognised the potential threat to future economic and monetary integration that rising unemployment implies. A month ago, the Commission, under the direction of its president, Jacques Delors, announced a medium-term study of unemployment and competitiveness in the EC. Social affairs commissioner Padraig Flynn has since published a study-plan – the Community-wide Framework for Employment – to examine over the next 18 months the reasons for the low levels of employment as well as high unemployment in the EC.

Why is unemployment in the OECD, particularly in Europe, so persistently high? The OECD's interim unemployment report, published last week, is strong on description and vague in diagnosis. But it is emphatic on one point: that active macroeconomic management is not the remedy. Pulling either the fiscal or monetary policy levers will not solve a problem which the OECD says is "in large part structural". Governments should aim, instead, to cut budget deficits and so reduce long-term real interest rates and encourage private investment. The EC's framework paper agrees economic growth alone will not reduce unemployment to more tolerable levels.

While Europe's current monetary squeeze may be pushing unemployment higher than it might otherwise be, both the OECD and the EC have reasons to ignore current macroeconomic difficulties and focus on the medium term. For, as the record of the past two decades shows, the underlying jobless total has been rising regardless of the ups and downs of the economic cycle. Every OECD region has seen a trend rise in unemployment rates since 1960.

The report points to a shift in developed economies away from manufacturing as a key reason for structural, or non-cyclical, unemployment. By the end of the 1980s, it says, one in five workers was employed in manufacturing, compared with one in four in 1960.

The report suggests that some combination of competition from developing countries and technological change has reduced the demand for blue-collar, relatively unskilled, male labour at prevailing wage levels. Hence the rise in unemployment is concentrated among poorly educated men whose main contribution was brawn, not brain.

The evidence suggests new technologies and production processes in developed countries, rather than low-wage competition from the developing world, have been the main reason for the decline in demand for unskilled labour.

Developing country exports to the developed world have grown rapidly in the past three decades, but developing country trade remains too small to have a significant effect on employment, other than in a few sectors such as textiles.

More important has been a shift, within manufacturing, towards more sophisticated technology and the employment of fewer workers overall. An increasing proportion of the remaining jobs are filled by better educated, white-collar workers. In the UK, the proportion of manual workers – both skilled and plant operatives – in total manufacturing employment fell from 68 per cent in 1971 to 50 per cent in 1990. Thus, technological change in the UK has reduced both skilled and unskilled manual employment.

In US manufacturing, the employment of production workers fell by 2.2m to 12.3m between 1979 and 1989, while non-production employment increased by 0.2m to 6.7m. The shift occurred largely within existing industries as they upgraded technology and expanded the use of computers, rather than because old, labour-intensive industries were replaced by high-tech industries.

The need, then, is for policies which create more skilled, and more attractive, jobs while enabling the unskilled unemployed to update their skills.

Job creation is of particular concern in Europe. EC countries, the Commission's Framework for Employment explains, have a low rate of employment against other industrialised countries – less than 60 per cent of the working age population is employed, compared with more than 70 per cent in the US, Japan and in the countries of the European Free Trade Association, Finland, Norway, Sweden and Austria.

Moreover, as the OECD points out, the EC's job-creation record in recent decades has, with the exception of the UK in the late 1980s, been dismal. Employment in North America has nearly doubled since 1960, but has grown by a mere 10 per cent in the EC. Member countries, the Commission says, need policies which deliver "a more employment-intensive pattern of economic growth". The paper suggests high non-wage labour costs in some continental European countries, employment taxes, inadequate training and rigid working patterns might explain this poor record.

"In the past we have tended to search for policies targeted only on the unemployed rather than on creating employment," says John Morley, head of the Commission's Employment Policy Unit. "We want to make the level of employment a target for policy."

Commission officials deny they are suggesting continental Europe embrace Anglo-Saxon-style labour market deregulation by removing obstacles to hiring and firing. "Low levels of regulation tend to lead to low levels of investment in training and skills," says Mr Morley. "It is not clear where the right balance is, but it has to be struck."

But the EC's list of policy options is similar to the OECD's standard 1980s agenda, recounted in the interim report: more investment, encouragement of entrepreneurship, labour market flexibility, better training, more support for those job-searching and less generous unemployment benefits.

Is this the same approach tried for more than a decade without great success? No, reply OECD officials. "Ministers talk a lot about making labour markets more flexible and reforming unemployment benefit systems," says one OECD official. "But they don't actually do it – individual governments still manage things in a sloppy way."

Still, the OECD has not yet found compelling evidence that countries following its policy menu have noticeably lower levels of unemployment. Active labour market measures give the impression that governments are tackling the problem, acknowledges one senior OECD official, "but the evidence does not suggest these measures are very effective in improving an individual's ability either to get a job or to secure a higher income."

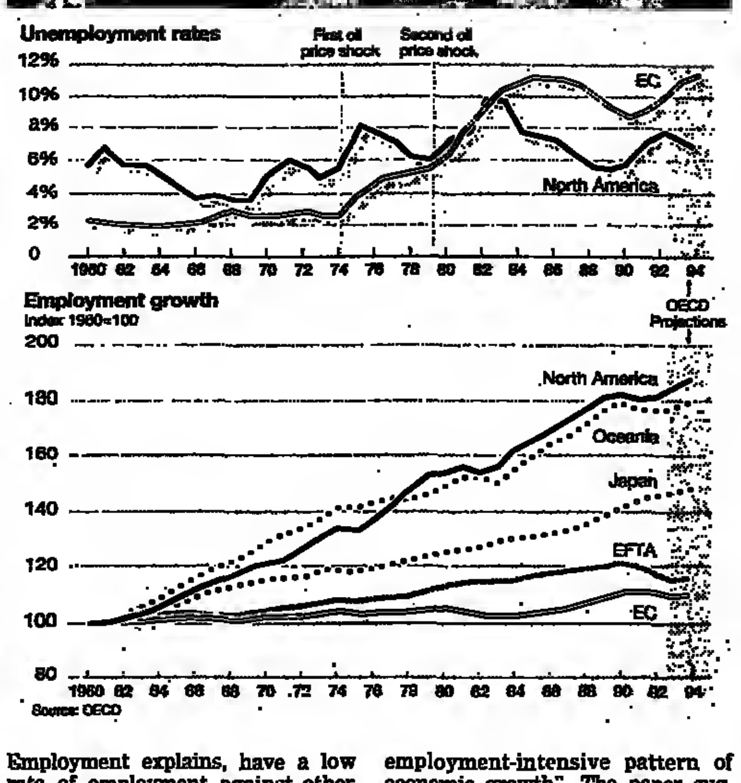
A deeper problem for the OECD and European Commission is the mismatch between the attributes and attitudes of the unemployed, normally men, and those, often women, willing to take the kind of jobs created over the past decade.

Those countries which have substantially increased employment in the 1980s, the US and UK in particular, have encouraged the creation of relatively low-wage service sector jobs shunned by the male unemployed and taken up mainly by female entrants to the market.

The proportion of British women of working age who have jobs rose by 6.7 percentage points across the 1980s, but male employment fell by 2.6 percentage points. The US and the UK have substantially more women of working age in employment than, for example, France and Germany – nearly 60 per cent on average in the 1980s, compared with less than 50 per cent.

The test for both the OECD and the EC is whether they can find solutions for the root unemployment problem facing all developed countries – how to find ways to re-employ unskilled men at wages they are willing to accept. For, while raising female employment may be a laudable policy goal, and labour market deregulation the fastest route to success, the evidence does not suggest that it is also a route to lower unemployment.

Unemployment: a pressing political challenge



Future must be settled from within

PERSONAL VIEW

An ignorant world supposes that we Serbs are triumphant. It is trua that we have won a difficult victory. We have survived and have not been beaten. But there have been no prizes. Today wa need a settlement as much as the Moslems and the Croats. Zagreb gloats as the Serbian nation rots under economic sanctions which Germany would never allow to apply to Croatia whatever murders wers done in its name. When will Washington, London and Paris concede that this disastrous war stems from a false and fatal consent by the US and the *EC to German ideas about* Yugoslavia?

Who imposed Bosnia's catastrophic "sovereignty"? A committee decided to partition Yugoslavia, a committee of politicians which miscalls itself the European Council and which is responsible to no parliamant. It consisted of peopla wholly ignorant about Yugoslavia. Yet this is a political detail. The effective demand for the partition of Yugoslavia came from Germany alone when it was the first EC country to recognise a separate Croatia in December 1991, unchecked by its reluctant European partners.

Who suffers most today? The Bosnian Moslems lured into their grab for supremacy; the Bosnian Serbs pushed into a war they wanted to avoid; the entire Serbian natinn condemned to poverty for the crime of a minimal solidarity with their brothers in Bosnia; the Macedonians whose economy is smashed; the Greeks, Bulgars, and Romanians whose economies are hammered by the loss of trade through sanctions on Serbia.

Bosnia is not "Europe's backyard" – to employ the favourite *expression of the interventionists*. A backyard is something intimately familiar. But no European politician – I mean those on the Brussels circuit – and few EC journalists can speak about Bosnia for two minutes without making ludicrous errors of fact. The proposition "Bosnia is Europe's backyard" is more than stupid; it stinks of neo-imperialist arrogance, resembling the most preposterous claims of the imperialists of 100 years ago.

What then is Bosnia? We can only start from its pre-war status. It was part of Yugoslavia. The world does not want to understand Serbian motives in Bosnia. But we must explain them until the world starts to listen. The Serbs are a nation whose desire for unity was and is as strong as that of any people in Europe. Yet we once consented to be divided, within Yugoslavia, provided that a degree of Serbian solidarity remained available to us.

The proposition that Bosnia is Europe's backyard stinks of neo-imperialist arrogance

We never lived in a state called Bosnia, we lived in Yugoslav Bosnia. To take away Yugoslavia was to take away all the compromises which held Bosnia together. Even today we do not insist on being in Serbia, but we will always insist on being with Serbia.

Well-meaning foreigners must not suppose this is fanaticism just because it is inconvenient. We in Bosnia have never considered ourselves other than Serbs, Croats and Moslems. There is no Bosnian patriotism. There is no Bosnian nation. There is just a common home for three peoples. We know the Moslems and the Croats of Bosnia far better than the foreign journalists.

We ask the Moslems and the Croats these questions: do you think we Serbs have no right to distrust you with your record during the second world war? Do you think we will accept the dismemberment of Yugoslavia and the division of the Serbian nation without setting up our own state to live in *safety? Why not start talking* to *us* now?

The Moslems ask today whether they are expected to live as virtual prisoners on tiny reservations? The Serbian answer is no, not at all. But when did the Moslems negotiate directly with the Serbs about a division of territory? Did we refuse to examine the qnestion of eastern Bosnia with them?

No Serb can deny that the Moslems need a secure home in Bosnia; no thoughtful Serb imagines that there can be peace without them. Not everything has been destroyed by this latest hurricane of history that has swept through Bosnia. There is goodwill on our side, as I am sure there is goodwill among the Moslems. Moslems are our Slav brothers. They did well in Yugoslavia and suffered terribly once their leaders told them they had a better future outside. They now require not only peace, but also institutional safeguards and guarantees. The old Yugoslavia has gone. Bosnia, or most of it, could still be recreated, perhaps as a confederation, and joined at some stage to tha remainder of Yugoslavia. *Whatever the future, it cannot* be settled from the outside, and it should not be shaped by the force of arms. The future must be negotiated among ourselves, and the time to do it is now.

Radovan Karadzic

The author is leader of the Bosnian Serbs

OBSERVER

Lord Hanson spins again

■ Is Lord Hanson, founding chairman of Britain's 10th biggest company, going to lose one of his most cherished possessions – his licence to serenade the citizens of the nation's capital?

Melody Radio, one of Hanson's stranger diversification moves, is among the six existing London broadcasters to pop in their licence reapplications yesterday. But, given thet there are another 42 applicants bidding for a total of eight licences, it would seem rather unfair if all the existing stations were allowed to hold on to their slots.

Why Britain's 10th biggest company needs to own a local radio station has baffled some Hanson-watchers. But Sheila Porritt, Melody's managing director, is unmoved by such ethereal questions. Melody has achieved virtually everything that it promised when it started broadcasting three years ago. Its weekly audience of 1m listeners gives it a market ehare which is bigger than newcomers Kiss FM and Jazz FM combined, and second only to LBC Talkback.

What Melody has not yet done is to struggle out of the red, even *though its profit and loss account* is being helped through the recession by a spot of Hanson corporate advertising in between m'Lord's favourite tunes. (Suitably balancing dollops of advertising by the company, needless to say, are to be heard on LBC).

Sounds as if Lord Hanson, at least, has no intention of letting himself be ontbid on this pet venture.

Love affair

■ Who says the liquidator's lot is not a happy one?. The wave of corporate collapses has worked wonders for Leonard Curtis, the expanding insolvency practice which has fired off a press release about its move to larger premises in Brighton. Geoff Rhodes, local partner in charge, acknowledges that the company's rapid expansion has been helped by the miserable fate of many others but adds, a trifle insensitively: "I can safely say I have enjoyed every minute".

Steaming ahead

■ Remember the old Patagonian Express, immortalised by American travel writer and train buff Paul Theroux?

In keeping with the spirit of the age, the train's owner, the Province of Chubut, has decided to privatise the ancient puffer train, which links the remote Patagonian towns of El Maiten and Esquel.

But the provincial government, while anxious to enliven Patagonia's less than glittering tourist trade, is also short on ideas as to how to approach the venture. Hence it is unabashedly calling all entrepreneurs, tour operators, train spotters and Theroux devotees to come forward with their own ideas.

Answers please, c/o Naturatur, 25 de Mayo y Rivadavia, Esquel, Chnbut, Argentina. Fax: (010541) 945 2139, no later than midday on July 16.

Euro-muddle

■ David Williamson, secretary general of the European Commission, is not accustomed to being shown the door. But that was exactly what happened when he tried to claim his bed at the Luxembourg Pullman last Monday.

Amid scenes of chaos rare in the somnolent Grand Duchy, managers hastily dispatched EC dignitaries, assembling for this week's meetings of foreign and finance ministers, far and wide. Protestations that a computer breakdown had erased reservations did nothing to soothe the ire of the likes of Dutch foreign minister Piet Dankert, who only belatedly secured a room. A trio of senior Foreign Office diplomats travelling with Douglas Hurd were deported by taxi shortly after midnight to the Hotel Senator, plum in the middle of Luxembourg's red-light district.

Outside the hotel, Williamson was to be heard muttering darkly that the Commission intended to withdraw all future bookings from the Pullman group. No mean threat, given the size of the Commission's travel budget.

Urban search

■ Expect an announcement any day of who has got the best-paid job in urban regeneration in Britain – chief executive of the new Urban Regeneration Agency. More than 200 have applied for the £90,000 a year post.

Current favourite for running what has been described as "an urban development corporation on wheels" is Eric Sorensen, the former civil servant who now runs London Docklands Development Corporation. He'll get a close run from Alastair Balls, another ex-civil servant who is chief executive of the Tyne and Wear development corporation. Tony Pender, chief executive of English Estates since 1979, could also make a good showing – since his organisation will be absorbed by the URA.

If it's experience of the private sector thet is needed, they could do worse than go for Anne Ferguson, marketing woman of the year 1990, whose job as bead of group advertising and sponsorship at ICI has lost some of its glamour following the break-up of ICI. Jan Hall, the ex-ICI manager who heads up Coley Porter Bell, would be another good candidate.

Whoever gets the job has an important first task to sort out – defining the new agency's role. Lord Walker, with his beloved Welsh Development Agency in mind, sees the URA leading efforts to attract inward investment from points east. The Environment Department would rather the URA got on with clearing the 150,000 remaining acres of derelict land in Britain's inner cities. The new chief executive will need the wisdom of Solomoo to reconcile the two viewpoints.

Unfit for office?

■ Welshman David Hunt, the new secretary of state for employment, has already been dubbed Hunt the Job. But Observer hears of an even better nickname for Britain's new financial supremo, Keoneth Clarke – Chubby Exchequer.

This little penny is for childcare

Day care for children need not drain public funds, argues John Willman

The government should take the lead in expanding the provision of childcare for people at work, according to the 11 UK companies which last week launched Employers for Childcare with the support of the Confederation of British Industry. The companies are large employers, such as Shell UK and British Airways, which have tried to provide childcare for their employees. Their claim that the government needs to do more to help them provide a comprehensive childcare package therefore merits consideration.

They say, for example, that even the largest companies cannot provide workplace nurseries in every location. The alternative – forming consortia with other local employers to create shared childcare facilities – can be time-consuming and complex to administer. They point out that workplace childcare is often not the first choice of parents, who are reluctant to drag their children into work every day. Yet, finding suitable childcare close to employees' homes can be difficult, with a limited range of facilities in many parts of the country.

What is needed is a marketplace within which employers and parents can more easily purchase high-quality childcare. The first requirement is a national register of childcare providers which would help companies find out what services are available. This should be accompanied by some sort of quality assurance scheme so that employers and parents can be confident of the standard of childcare on offer. And the range of childcare provision needs to be expanded to ensure there is a range of options in every locality, including registered child minders, pre-school nurseries, after-school clubs and holiday play schemes.

Some of these developments might be achieved by business initiatives – but only piecemeal and in ways that would duplicate efforts in different parts of the country. It would be more efficient for the government to take the lead in creating such a marketplace.

This would not require the exchequer to finance unlimited expansion in childcare. Employers who want to offer childcare to attract and retain the best employees should be prepared to pay for it. So, too, should those employees better able to combine work and a family – currently they may not be asked to pay towards the cost of some forms of pre-school education.

But the government may need to fund new agencies and help create new capacity for childcare. A precedent has been set with tha £45m which the Department of Employment is giving Training and Enterprise Councils over the next three years to develop out-of-school facilities. This is a good example of how relatively modest amounts of government money can be used to prime the pump. If the first-year pilot is successful, the programme should be expanded to cover other forms of childcare provision. Funds for such purposes could be found by redirecting the money now spent on tax incentives for workplace nurseries. Employers can claim capital allowances for investment in workplace facilities, which are then tax-free for the employee.

Employers for Childcare suggests extending the tax concessions to other forms of support, such as childcare vouchers. This would be costly and would give the greatest benefit to those who paid the highest rates of tax. It would also discriminate against those whose employers give no such help with childcare and must pay for it out of their after-tax income. A fairer and more rational approach would be to make all childcare support a taxable benefit for employees, using the revenue saved to provide better childcare facilities.

Creating a comprehensive childcare framework need not add a penny to public expenditure. But it could make a significant supply-side contribution to business success by encouraging the best use of the country's skills and labour force. The market where possible, the state where necessary, as the German theorists of the social market would say.

John Plender on proceedings that threaten to expose gaps in the regulatory framework

A question of trust and security

While the Goode Committee presses on with its review of pensions law after the Robert Maxwell scandal, important questions about tha security of pension rights are about to be raised in a smaller but no less contentious case in the High Court. This follows the Securities and Investments Board's recent decision to issue a writ against trustees of the pension funds of the unquoted Midlands conglomerate, Melton Medes. The proceedings threaten to expose further inadequacies in the regulatory framework, together with highly controversial advice from a leading firm of lawyers.

The story starts with the acquisition in 1986 by Melton Medes from Imperial Group of two paper mills, Robert Fletcher (Greenfield) and Robert Fletcher (Stoneclough). Immediately after the takeover the acquiring company declared a pension fund holiday and suspended contributions into the funds.

The trustees, who included Mr Nathu Ram Puri, chairman of Melton Medes, and Mr James Philpotts, chief executive, then sanctioned a £4m loan from the two pension funds to the parent company at a rate of interest of only 2 per cent. This was subsequently increased to National Westminster Bank base rate. Yet the terms still appeared to fall short of a commercial rate for an unquoted company, which offered a second charge on less than prime property for security. The pension funds were valued at just over £18m at the time.

When employees discovered that pension money had been diverted into a cheap loan to Mr Puri's company, they were understandably concerned about the potential conflict of interest and loss of income. They were even more concerned when the loan was repaid, but not in cash. The settlement of the debt came in the form of a transfer of shares from Melton Medes in two small quoted companies, Delaney Group and Marling Industries, where Mr Puri's companies had large stakes. In the case of Delaney, Mr Puri was chairman and controlling shareholder.

Since shares in both companies have plunged, the pension funds have suffered losses as a result. And an investigation carried out by SIB has resulted in an allegation in SIB's writ in the High Court that the trustees failed to keep complete, accurate or proper records in relation to the Marling Industries transaction.

Asked by the employees to look into the case, the Graphical Paper and Media Union took advice from counsel on the investments in these companies. Melton Medes' Mr Philpotts, meantime, consulted a leading pensions expert and partner of solicitors Nabarro Nathanson, Mr John Quarrell. In an extraordinarily frank letter, Quarrell offered reassurance, saying: "My advice would be to wait until matters develop because quite frankly it is almost impossible to pursue a trustee for negligence when it comes to investment. Most of the recent trustee cases in this area beggar belief. Unless you happen to be an alleged extreme left-wing union type person (namely Arthur Scargill) then you really have to have your fingers in the till and it must be clearly shown that whilst they are in there they are purloining large amounts of money, before anyone can bring a likely successful action. Clearly, your situation and that which I have just outlined are light years apart. Nonetheless I suggest you wait and be cautious and not over perturbed by the fact that the particular trade union concerned has managed to collect enough money to go and see Patrick Howell, QC."

The assertion that anything short of large-scale robbery would leave the trustees safe from an action for negligence, while falling short of a direct incitement to breach of trust, nonetheless looks remarkable advice – especially to a trustee who was also an officer of the company that had already borrowed at uncommercial rates from the pension fund.

Equally striking is the absence of any reference to the rules of the self-regulatory organisation, Imro, which had authorised the trustee company to carry on investment business. The rules constrain investment where the trustees also have a personal interest, as Mr Puri had with Marling and Delaney.

When approached by the Financial Times to comment on the legal advice received by the trustees in relation to the controversial transaction, Mr James Philpotts referred the call to Melton Medes' solicitors, D J Freeman. Mr Marcus Rutherford, a partner in the firm, said that in the light of the court proceedings over the pension funds it would be inappropriate to comment.

The odds favour the employer against the employees where pension fund assets are in question

As a description of the effectiveness of trust law, Mr Quarrell's letter looks realistic, particularly in the light of a current high court action initiated by the Graphical Paper and Media Union on behalf of pension fund members. Having spent £250,000 of union funds on court proceedings, the union was unable to pay for the next stage of a breach of trust action. So seven employees asked the court to grant an order to release part of the pension fund surplus to allow them to pursue their case. They proposed to challenge the validity of the trust deeds, seek an inquiry into losses on the funds' investments in Marling and Delaney, and demand the appointment of independent trustees.

In January Mr Justice Vinelott showed reluctance to grant the order. He was no doubt conscious that the costs for both sides were expected to run to £1½m. The total value of the Fletcher pension scheme assets, now merged into a single fund, was little more than £23m at the last balance sheet date. The judge was also reluctant to remove Messrs Puri and Philpotts from the board of trustees since this would have amounted to a finding of guilt before the alleged improprieties had been properly investigated. For the moment the court proceedings are in stalemate, following a failure to reach a compromise between the two sides.

Meantime Mr Puri and Melton Medes have found a new way of transferring money out of the pension funds into the company. The Financial Times has established that property in Luton owned and occupied by subsidiaries of Melton Medes has been sold to the fund at a valuation carried out by a small London firm of chartered surveyors. A controversial aspect of the deal is that the tenant subsidiary, Balmforth Engineering, made pre-tax losses of £184,000 in the last year for which accounts have been filed at Companies House. At June 30 1992, the property was included in the pension fund's balance sheet at £1.4m and accounted for 6 per cent of the assets.

Significantly, property is exempt from the 5 per cent ceiling on self-investment introduced under the Social Security Act 1990. The result of this loophole is that the fortunes of present and future pensioners of the Fletcher fund have become even more closely enmeshed in those of Melton Medes, which has substantial borrowings, despite the attempts of the employees to establish proper independence from Mr Puri in the courts.

To the layman, the issues in the case look clear cut. The trustees appear to have been involved in a straightforward conflict of interest over the grant of the original loan to Melton Medes. The return on the loan was uncommercial and the pension fund has had no compensation for this. The losses on shares in Marling and Delaney were also incurred in unusual circumstances which involved potential conflicts of interest. In the light of the history, the case for removing Messrs Puri and Philpotts, and giving exclusive control to an independent trustee, looks overwhelming.

But that is the ethical, not the legal position. And for SIB, pursuing a separate action, the case is not clear cut. For a start, it only regulates investment activity, not the trustee function as such. And because the 1986 Financial Services Act had not come into effect when the original loan was made by the Fletcher funds to Melton Medes, it has jurisdiction only over events that took place after the Imro rules and SIB principles came into operation.

SIB thus alleges that the share transactions whereby the loan was supposed to be repaid were in breach of Imro rules and in breach of its own regulatory principle of integrity and fair dealing. Its writ asks for an order requiring the defendants to return the shares in Marling and Delaney to Melton Medes. It then calls for them to restore the sum of £4m, together with interest, to the pension fund. The question is whether the courts will accept this slightly convoluted approach.

Either way, the protracted and tortuous nature of the employees' case clearly demonstrates how the odds are stacked in favour of the employer against the employees where pension scheme assets are in question. And if the Goode Committee calls for the retention of the trust law framework for pension funds, it will have to come up with radical proposals on enforcement if it is to carry any conviction with those whose pensions are threatened.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

DTI audit proposal little better than nothing

From Mr Michael Fowle.

Sir, Mr L. D. McClements (Letters, June 4) – who believes the Department of Trade and Industry's proposal that companies below the VAT threshold should be exempted from compulsory audit requirements does not go far enough – is pushing at an open door so far as much of the auditing profession is concerned. But the government is leaning against the door to ensure it does no more than stay ajar.

Certainly in this firm we feel strongly that the DTI's proposal, while better than nothing, is not much better than nothing. We believe (as did the majority of respondents to a consultative paper issued by the Institute of Chartered Accountants in England & Wales) the level should be higher. We suggest that audit should not be mandated by law for companies which are defined as small, ie currently broadly those with turnover below £2.8m. While the directors of many companies with a lower turnover than this will want to have their accounts audited, because the directors believe it to be desirable or because shareholders or lenders believe it desirable, if none of these parties believes that an audit is necessary, we do not believe that the public interest is served by an audit.

There is another point which we believe should be addressed. Why do wholly-owned subsidiaries require separate statutory audits for their accounts, even if thair holding company (whose audited accounts are available at the Companies Registry) has guaranteed all their obligations or when there are no outside creditors? We believe the UK should follow available European legislation and relieve such companies of the compulsory audit requirement. Auditors should only be entitled to earn income from audits if the marketplace believes audits are worthwhile. We do not believe the public interest is served by forcible audits on small companies whose shareholders and loan creditors see no benefit in audit.

Michael Fowle,
senior UK audit partner,
Peat Marwick,
2-3 Dorset Rise,
London EC4V BAE

Water companies require price rises for investment

From Ms Janet Langdon.

Sir, The privatised water companies do not finance their diversification ventures from the profits of their main water businessas, es Mr Shutt (Letters, June 8) mistakenly believes. Nor are they permitted to do so.

In raising funds for such ventures, the financial strength of the main businesses *is undoubtedly* important. But so will the technical and othar experience gained from other ventures be helpful to the main water businesses.

As regards what Mr Shutt calls the "tax" on their customers, the water companies are well advanced with a £30bn investment programme. This will improve the security of water supplies. It will also enable them to meet very demanding EC environmental requirements, both in the quality of drinking water and the handling of waste.

Investment on this scale could not be accomplished by less profitable enterprises. Nor, *unfortunately*, can it be achieved without price rises above the level of inflation.

Janet Langdon,
director and secretary,
Water Services Association,
1 Queen Anne's Gate,
London SW1H 9BT

Laws of marketplace also apply to brewing industry

From Mr Robin Simpson.

Sir, While your reporting of the effect of tax changes on the strength of beer has been admirably fair, your editorial, "Weak beer" (June 8) made curious reading.

It was surprising to see complaints about a failure to keep consumers informed, and a referance to furtive product changes, in response to very *public* announcements by brewers of these changes.

Most remarkable was your editorial line that it is wrong for a producer industry to pass on tax increases to consumers in, to use your own words, a modern competitive business. Your general business readership, not to mention your own *financial journalists*, may be interested in this doctrine. The laws of the marketplace, and the relationship between costs and price, are no different for brewers than for any other business, including newspapers. Your comments would be better directed at the root cause of the problem, the over-taxation of beer even before the recent change of taxation system.

Robin Simpson,
director,
The Brewers' Society,
42 Portman Square,
London W1H 0BB

Bottleneck

From Mr Gideon Nellen.

Sir, The retail profits of BAA, the privatised UK airports operator ("Retail fillip helps BAA to 49 per cent advance", June 8), are certainly being achieved at the expense of passenger seating and circulation at certain terminals. At Heathrow Terminal One, for example, passenger flow is so constricted by the cramming of retail units into a restricted area that there is always a bottleneck after passport clearance.

Is this not an aspect of BAA's activities that the Civil Aviation Authority should be reviewing.

Gideon Nellen,
Nellen & Co,
Solicitors,
19 Albemarle Street,
London W1X 3HA

Lamont embodied lack of government policy

From Mr John Tranter.

Sir, The article on the departure of Norman Lamont as chancellor ("Hounded out by fiction and foes", 6 June) did not address the reason why the approach of the tabloids found an echo throughout the country. In essence, he was the embodiment of the lack of a clear government policy.

The government has claimed credit for a recovery which has been won through the hard work of the electorate and at the cost of high unemployment. The recovery is not due to any fundamental government policy which has been aimed at reducing inflation through economic restriction.

The lack of clarity of government policy is exemplified by, on the one hand, Mr Heseltine's interventionist stance and, on the other, by the promotion of privatisation to reduce government intervention.

The former approach has not been much in evidence – witness British Coal and Swan Hunter – and tha latter policy does not inspire confidence that the government is operating anything other than a policy of "sell and forget".

Whitehall and the electorate must recognise the necessary but limited role the government can play in the economy. Discredited policies on both sides of the former Iron Curtain have shown thet no government has the secret formula for sustaining growth. Control in an economy is widely dispersed, making economic movements impossible to forecast.

Government can only assist the wealth creators, the electorate, be they entrepreneurs or the workforce building quality product. Governmant should aim to take tha long-term view, to manage the *infrastructure of the country* and nurture tha business environment.

Business will develop of its own accord but cannot be expected to be responsible for the country's infrastructure while pursuing, generally, short-term profit motives.

For these reasons, members of the electorate may finally realise that the success of the economy resides with them.

Whitehall is but a sideshow.

John Tranter,
1 Charmans Close,
Horsham,
West Sussex RH12 4HQ

هكذا من الأصل

Television/Christopher Dunkley

Strength depends on the writing

We were, it seemed, slipping into another long summer of television tedium, with countless repeats and second eleven documentaries, relieved only by sport. Once again it looked as though the unpleasant duty of the television critic was to remind the broadcasters that even if top ratings do decline by about three million between February and May, top-rated programmes such as *Coronation Street* still attract 17m viewers even on warm June evenings. Thus, although people are beginning to get back into their gardens, there is still a vast audience for television, and no excuse for serving up warmed-over bubble and squeak.

But the complaint would be absurd after a weekend which brought the eighth episode in Edgar Reitz's *Second Heimat: A New Generation* from BBC2, Lynda La Plante's *Comics* from Channel 4, and the beginning of Ken Russell's *Lady Chatterley* on BBC1. Of course none of the three was beyond criticism, but when a single category of programming shows such ambition, variety and achievement in such a short period it would be churlish to issue yet another blanket condemnation of the medium. Previous generations would surely think it astonishingly ungrateful to complain when such diverse entertainment is available in every British home.

Predictably enough, the least satisfactory of these three dramas was the one which had attracted most fuss and hype prior to transmission: *Lady Chatterley* (not, you notice, "Lady Chatterley's Lover" because Russell has used all three of D.H.Lawrence's versions of the story for his adaptation and they all had different titles). Fashion now insists that we should dismiss the notorious novel as a poor bit of work, but that is not why lack of satisfaction with the television version was predictable. Actually, although the book is not among Lawrence's best, it is still streets ahead of most of the stuff which becomes so famous these days via Booker and Whitbread and all the other publicity schemes.

The reason for doubt was that in the past 30 years Russell never seems to have recaptured the flair that he brought to his *Monitor* programmes about Delius, Elgar and others at the BBC in the early 1960s. Since then he has been at his best when going wildly over the top, but it seemed unlikely the BBC would tolerate this in an adaptation which was always going to be touchy. Sure enough, we find neither the lyricism of *Song Of Summer* nor the outrageousness of *The Devils* in *Lady Chatterley*.

There are moments of Russellians: the black horse sequence with the naked soldiers in garlands of flowers and Connie imagining Clifford drowning; and when Connie's father – played by Russell who now seems to act, though not terribly well, in all his own films – tells her "Yer wanna get yer axle greased, know what I mean?" But they are too few and far between, and while Russell doubtless relished the knowing anachronism of the above phrase, he did rather ruin the effect by having Clifford say "There's something much stronger than sex between you and I". It seems unlikely that an Edwardian baronet would make that sort of howler with a personal pronoun.

If Russell had simply stuck to extremes and given us a Marvel Comics version of the story that would have been tolerable, but this *Lady Chatterley* feels more like one of those desperately respectful Classic Comics adaptations of Homer or Shakespeare. Too often there is the same awkwardness that you used to feel in those "Ho, varlet!" movies from Hollywood; it is virtually impossible to suspend disbelief. Worse, Russell is now lazy and relies too much on clichés. Not only does he have Joely Richardson musingly fingering the surface of a nude in an oil painting, he also has her hugging an oak tree. Both actions are as familiar on screen yet as untrue to life as those people in films who keep saying "Hallo? Hallo?" to a dialling tone. Thank goodness Joely Richardson (who is so beautiful undressed that it seems a pity she has to do any scenes clothed) and James Wilby, who plays Clifford, are as good as they are at their jobs. Perhaps the same can be said of Sean Bean who plays Mellors, but on that, judgment will have to be reserved.

Even though Channel 4 had transmitted only the first half of *Comics* at the time of writing, it seems clear that this is the best television drama yet from Lynda La Plante. It has the same narrative drive as *Prime Suspect* and the same attention to arcane detail as we have come to expect from all her work, but, mercifully, none of the finger wagging lectures on feminism. True, the production is powerfully enhanced by the direction of Diarmuid Lawrence who manages to make locations in London's West End look so glamorous and dramatic that you begin to wonder whether they are brilliantly constructed sets.

In the end, however, the strength depends upon the writing. La Plante has plaited together three strands with great skill: stand-up comedy, a murder story, and the private life of her central character, American comedian Johnny Lazar. Any one of these might make a strong drama but the combination is far more impressive. At the halfway stage there were some, presumably deliberately, baffling components – was it Lazar's mother who walked into the sea with a little girl to commit murder and suicide at the beginning? Did Lazar's flashback of the street murder really prove that Delroy was the killer and did Lazar perjure himself and swear the murderer was white because his adoptive parents were black . . . or what? It served merely to ensure that one returned the next day.

Comics was an original contemporary drama in two parts written expressly for television. *Lady Chatterley* is a four-part adaptation of a 1928 novel. *The Second Heimat: A New Generation* is a 13-part serial, set in Munich in the 1960s and written, produced and directed by Edgar Reitz. Saturday brought Episode 8 and yet more proof, if any were needed, that this is just as much a television masterpiece as Reitz's original *Heimat*. It is conceivable that a viewer coming fresh to the work this week could have found it slow, sometimes inconsequential, and occasionally hard to understand. But for those of us who dodge dinner parties and tell lies to be sure to catch every word, each episode adds to the sum of our knowledge and increases our involvement.

Regulars will have been full of trepidation this week when Hermann agreed to marry Schnüsschen, however sweet and seductive she may be. We know that Clarissa, the brilliant cellist (and actress Salome Kammer really is a superb musician) is Hermann's soulmate, probably for life. When Clarissa arrived at the wedding reception, regular viewers brought to the drama a major contribution; we were as poignantly aware of how these two would be feeling as if they were our own lifelong acquaintances. Sounds like any soap fan? So be it, but you rarely find a soap opera with characters as authentic and funny as Hermann's aunts who are always keen to know the location of the nearest lavatory, or as persuasively real as Juan who this week attempted to shoot himself through the heart with a rifle.

With drama as strong as this at weekends and sport as good as the *First Test* and *Nigel Mansell's Indy-Car 93* during the week – not to mention Wimbledon rapidly growing on the horizon – we may be in for a rather pleasant summer season.

'Lady Chatterley': Sean Bean and Joely Richardson in Ken Russell's adaptation of D.H. Lawrence; not as successful as Lynda La Plante's 'Comics' or Edgar Reitz' 'Heimat'

London concerts

Górecki, Smetana and Janácek

This was very nearly the concert of the CD – same work, same soprano soloist (Dawn Upshaw) and orchestra (London Sinfonietta), and only the conductor (Paul Daniel) different. Since Elektra Nonesuch's record of the Górecki's Third Symphony continues to sit month after astonishing month at the top of the best-seller charts, it is only natural that the Sinfonietta should wish to draw on the benefits of that popularity.

This band has every right to. They paid attention to the Polish composer and his music – including him, for instance, as focus of one of their 1989 "Response" weekend series, of which the Third provided the climax – at a time when it was an act of daring to do so. Now they have been able to bill two successive Górecki evenings at the Barbican Hall and sell every seat.

At Monday's, first of the two, the atmosphere was festive, very different from the general run of contemporary music concerts (the composer autographed programmes during the interval). It would be a stuffy soul who failed to rejoice in the orchestra's moment – shared, of course, with the composer himself – of success.

But I do completely fail to comprehend how exactly it has come about: how, indeed, such an acreage of sustained banality could have struck a chord with the public at large. Perhaps the high-mindedness of the banality has something to do with it: the Third Symphony, the "Symphony of Sorrowful Songs", is an essay in what one might call "antique" style, with stained-glass harmonies and lush string textures displayed slowly and at length, over and over again, and it obviously requires – and in the sympathetic-listener encourages – an ear of faith.

Played and conducted with the greatest sensitivity, and sung by Miss Upshaw with exquisite simplicity, this 55-minutes-worth worth of relentless diatonic uplift was for me, nevertheless, excruciatingly hard to take. It was preceded by the *Three Pieces in Old Style*, an early (1963) harbinger of the holy-minimalist Górecki still to come, and by the lighthearted Concerto for harpsichord of 1980 (played, as ever, by the brilliant Elisabeth Chojnacka), which has very little actual *music* in it but at least attempts to disguise its poverty with a snappy mode of address.

Max Loppert

If the crowd-puller in London on Monday evening was the Sinfonietta's Górecki bash at the Barbican, Radio 3 in its ever fastidious, discriminating way chose to relay instead the Festival Hall's concert of Czech music, given by the Royal Philharmonic Orchestra under Libor Pesek. There is a feeling that live concert relays are more strictly rationed on the network nowadays and that the selection of concerts is sometimes eccentric, but certainly the quality of the RPO performances justified the singling out of this event.

Pesek paired Smetana and Janácek, giving over the first half to four of the symphonic poems from *Ma Vlast*, the second to the *Glagolitic Mass*. Throughout the RPO was on first-rate form, not just in the extrovert shows of the Mass where the brass excelled, but in the quieter, sustained beauties of the Smetana poems to which Pesek gave a sense of symphonic coherence, a consistent eloquence derived from beauty of tone and limpid phrasing. Even the rhetorical charges of *Blanik* the last poem in this selection, had a warmth and emotional focus that placed them far above run-of-the-mill programme music.

Pesek's knack of getting something extra from all his orchestras clearly carries over to the vocalists with whom he works. The *Glagolitic* soloists were Helen Field, Ameral Gunson, John Horton Murray and Roger Roloff, the chorus the Brighton Festival; John Scott was the organist. All were superb; if one singles out Ms Field for special mention it is for the vivid directness of her singing and fearless attack. On this evidence Pesek is less furious in Janácek than some interpreters, but wonderfully, unfailingly, vital.

Andrew Clements

Pop/Peter Berlin

The Velvet Underground

At the old the Town and Country the bar policy was simple. It sold bad beer in plastic beakers designed to cause the minimum of injury when, not if, they were thrown at the band. The T&C is now the freshly-painted Forum and things are different. The new management has knows its customers vices are changing. And so on Saturday, the Velvet Underground, reformed and touring again after 23 years, dusted off their old repertoire and performed "Heroin" in a venue which sells tubs of Haagen Dazs ice cream and coffee in hefty china mugs.

The audience covered the pop age range. For two decades suburban rock fans have grown up listening to songs of drug abuse and sado-masochism and dreamt of the seedy glamour of late-1960s Manhattan when the Velvets were Andy Warhol's house band. To have four of the original five members (Nico died of a heart attack in 1988) on stage in Kentish Town, alive and well and unmistakeably middle-aged somehow seems a breach of the band's contract with its fans.

In the middle of a bit of doggerel "We're the Velvet Underground", Lou Reed, the lead singer, demanded "what's wrong with this picture?" The answer came when the band tried the old shockers. As Reed, arms bulging white and unblemished from his tight black rock star T-shirt, declared: "heroin, it's my wife and it's my life", the credibility gap yawned.

The Velvets have always been victims of a widespread prejudice against out-of-tune singing. For the faithful, Saturday's generous concert veered reassuringly between the competent and the chaotic. Reed's voice has improved with age and a more careful life. But the audience roared its approval after drummer Mo Tucker's scratchy rendition of the gentle Close the Door. At other times the band struggled to settle on a tempo. But the slickness would have been the greatest sin. The music was at its most engaging when it teetered on the edge of collapse; when the band was making a mess of Reed's simpler pop songs rather than when duplicating the original, eery recordings of "Black Angel Death Song" or the gruesome, cautionary tale, "The Gift" (children do not open man-sized parcels with power tools).

The only new song was "Coyote", a slower number which closed the second encore, signalling to the demanding crowd that it could expect no more. The Velvets' original songs are entirely preoccupied with Manhattan nightlife, quite free of nature references. "Coyote" is a not a Velvets' song, it is latter day Lou Reed. It was a pleasure to see and hear the enjoyment with which they performed the old favourites. But they can never again be the dangerous, amphetamine-powered creatures they were when they created these songs. It is not just rock fans who grow nostalgic for irresponsible youth . . .

Jazz/Garry Booth

Harry Connick Jnr

Harry Connick Jnr: sentimental crooning

It is a commonly held belief that pianist/singer Harry Connick Jnr's music is jazz for people who do not like jazz. This is probably correct and it is certainly true that people who like jazz do not usually like the sentimental crooning of Harry Connick Jnr. So what? It is popular music. Moreover, it is pop music – standards, mostly – which involves a number of musicians who can and do play interesting instruments such as the baritone sax, bass trombone and tuba. Like Duke Ellington said, it is pointless to discuss what is or is not jazz: there are only two types of music, good and bad.

Harry Connick Jnr is exceedingly good at what he does, which is to croon pleasantly and swing a plausible big band. The singing is sub-Sinatra 1950s brat pack style. The range is limited, but the diction is clear and he wrings ballads such as "It had to be you" for all they are worth. His piano playing, which is rationed so as not to distract a non-jazz audience, could best be described as "honky-Monk". By his own admission he models his technique on the late bebopper's faltering and surging method but cuts his playing with more vaudevillian verve.

For lesser performers, these derivations would not be enough to sell seven million records worldwide. But Connick, who at the age of six was good enough to perform at his father's swearing in as D.A. for New Orleans, employs highly developed showbiz instincts. In the 1960s he would have been said to have "sex-appeal". At the Albert Hall for three nights he high-kicks patent shoes, rolls his sleeves up to zap and click directions at the choreographed band, even tap dances, while singing "toons" full of Big Easy charm.

Long and intimate conversations with the audience which discuss girlfriend Jill's sore throat, his first sight of the Queen and George Michael not recognising him had them squealing in the stalls. A half sung tribute to Freddie Mercury was genuinely touching though the Jungle Book's "Bare Necessities" tested the limits of sentimentality.

It is impossible that Connick, who is in his mid-20s, will ever unite disparate audiences in the way Ella Fitzgerald or Louis Armstrong could, he is too good looking and not as massively musical. But he writes a catchy "toon", employs musicians and cheers people up. Personally, I look forward to seeing Tony Bennett next month.

Forever For Now (Columbia 473873) is the new retrospective collection. Harry Connick Jnr and his orchestra play the Royal Albert Hall (tonight); Newcastle City Hall, June 11; Nottingham Royal Centre, June 12; Liverpool Empire, June 13

INTERNATIONAL ARTS GUIDE

BERGEN

BERGEN FESTIVAL
Ingmar Bergman's Stockholm production of Ibsen's Peer Gynt can be seen tonight, tomorrow, Fri and Sat at Den Nationale Scene, followed on Sun, Mon and Tues by Norwegian National Theatre's production of Ibsen's Ghosts. Noel Davies conducts Jonathan Miller's ENO staging of Rigoletto tomorrow and Sat at Grieghallen. Trondheim Symphony Orchestra plays music by Grieg on Fri and Sat. Peter Ustinov gives his one-man show on Sun. Recitalists include Jean-Yves Thibaudet, Truls Mork and Olli Mustonen. The festival ends next Tues (216100)

BONN

Oper Tonight: Valery Panov's production of Prokofiev's ballet Romeo and Juliet. Tomorrow and Mon: Cav and Pag. Fri and Tues: Dennis Russell Davies conducts Ken Russell's new production of Salome, with Emily Rawlins, Graham Clark and David Pittman-Jennings. Sat: Otello with Alexei Steblianko and Sherrill Milnes. Sun: Der Freischütz. June 24: Domingo sings Otello (773667)

COLOGNE

Opernhaus Tonight, Sat, next Tues: René Jacobs conducts Michael Hampe's new production of L'Incoronazione di Poppea, with Patricia Schuman, Kathleen Kuhlmann, Curtis Rayam and Jeffrey Gall. Tomorrow, Sun, next Wed: Un ballo in maschera with Andrea Gruber, Taro Ichihara and Paolo Coni. Fri: Die Zauberflöte (221 8400) **Philharmonie** Sat, Sun, next Fri: Sergiu Celibidache conducts Munich Philharmonic Orchestra (2801) **Schauspielhaus** Tomorrow: Edward Albee's Who's Afraid of Virginia Woolf. Sat and Sun: Dürrenmatt's The Visit (221 8400)

COPENHAGEN

Tivoli Tonight: Aldo Ceccato conducts Tivoli Symphony Orchestra in first concert of a Beethoven symphony cycle (next concerts June 12, 15, 18). Fri: Andras Schiff piano recital (3315 1012)

DRESDEN

Semperoper Tomorrow, Sun: La bohème. Fri, Sat: Rakhmaninov programme, featuring a ballet set to The Isle of the Dead and his early opera The Miserly Knight. Sun morning, Mon and Tues evening: Giuseppe Sinopoli conducts Dresden Staatskapelle in works by Wagner, Elgar and Beethoven, with cello soloist Jan Vogler (484 2731) **Kulturpalast** Sat and Sun: Jörg-Peter Weigle conducts Dresden Philharmonic Orchestra in works by Niels Gade and Grieg (486 6306)

FRANKFURT

● Dmitri Kitaenko conducts Frankfurt Radio Symphony Orchestra and Danish Radio Chorus tomorrow and Fri at Alte Oper in Scriabin's Piano Concerto (Gerhard Oppitz) and Prokofiev's cantata Ivan Grozny. Sun morning, Mon evening: Yuri Ahronovich conducts Frankfurt Opera Orchestra in Beethoven's Violin Concerto (Shlomo Mintz) and Tchaikovsky's Fifth Symphony. July 1, 2: Boulez conducts LSO, with Jessye Norman and Daniel Barenboim (1340 400)
● Michael Boder conducts Christoph Nel's new production of Die Meistersinger von Nürnberg at Opernhaus tomorrow (also June 16, 19, 26, July 4, 11), with a cast led by Alan Titus (236061)
● Ibsen's Hedda Gabler can be seen at Kammerspiel on Sat and Sun. The Schauspielhaus repertory includes Sophocles' Antigone and Shakespeare's Othello and The Merchant of Venice. June 25-28: Luc Bondy's French-language production of Ibsen's John Gabriel Borkman, with Michel Piccoli in title role (2123 7444). English Theater Kaiserstrasse has Alan Ayckbourn's farce Taking Steps daily except Mon (2423 1620)

HAMBURG

Staatsoper Tonight: La traviata with Tiziana Fabbricini, Francisco Araiza and Franz Grundheber. Tomorrow: Wolfgang Rihm's opera Die Eroberung von Mexico. Sat: Lucia Popp song recital. Sun: John Neumeier's Tchaikovsky ballet after Swan Lake. Mon: Neumeier's ballet set to Mahler's Third Symphony. Tues: Neumeier's choreography of Mahler's Fourth Symphony. The Neumeier festival, which includes studio performances tonight and tomorrow at Kampnagelfabrik, runs till June 27 (351721) **Thalia Theater** Tonight and tomorrow: Bob Wilson's The Black Rider (322666)

LEIPZIG

Gewandhaus Tonight: Zdenek Kosler conducts Czech Philharmonic Orchestra in Smetana's Ma Vlast. Tomorrow, Fri: Claudio Abbado conducts Berlin Philharmonic Orchestra. Sat afternoon, Sun morning, Mon evening: Anne Sophie Mutter is violin soloist with MDR Symphony Orchestra. Sat evening: Kurt Masur conducts Gewandhaus Orchestra in Schumann and Bruckner. Tues: Gundula Janowitz sings Strauss' Four Last Songs (7132 280) **Opernhaus** Tomorrow: Il barbiere di Siviglia. Fri: Lohengrin. Sat: Uwe Scholz's ballet Pax Questuosa. Sun: La bohème. Tues: Le nozze di Figaro. Tues (Neue Szene): Henze's Elegy for Young Lovers (291036)

MUNICH

THEATRE
A two-week World Theatre season opens on Sat and runs till June 27. Peter Brook's Paris company presents his latest theatre piece L'Homme qui at Theater im Marstall on June 12, 13, 14, 15, 17. Luc Bondy's acclaimed French-language production of Ibsen's John Gabriel Borkman can be seen at Kammerspiele from June 17 to 20. National Theatre of Craiova, Romania, presents Alfred Jarry's Roi Ubu and Shakespeare's Titus Andronicus at Residenztheater from June 16 to 20. The season also features Théâtre de Complicité, Giorgio Strehler's Piccolo Teatro di Milano and a Robert Lepage premiere (Tickets and information from Maximilianstrasse 11, tel 291744)
MUSIC
Georg Solti conducts Bavarian Radio Symphony Orchestra at Gasteig tomorrow and Fri, in a programme of symphonies by Stravinsky and Bruckner. Evgeny Kissin gives a piano recital on Tues (4809 8614). On Sun at Herkulessaal der Residenz, Alfred Brendel plays Beethoven piano sonatas, with a second programme to follow on June 27 (299901). Deutsches Theater has the Harlem musical Bubbling Brown Sugar, daily except Mon (5523 4360)

LYON

Pierre Boulez conducts Ensemble InterContemporain tonight at the new Opéra, in a programme including his own Le Marteau sans maître and Birtwistle's Tragoedia (7828 0960)

STOCKHOLM

Drottningholm Sat: Louis Langrée conducts first night of John Cox's new Swedish-language production of Grétry's Zémire et Azore (eight performances till July 22). This summer's repertory also includes Una cosa rara by Vicente Martin y Soler and Figaro, ballet-pantomims after Beaumarchais choreographed by Ivo Cramer (660 8225) **Royal Opera** Tonight, Fri, Sat, next Mon, Wed, Thurs: Boccaccio. June 15, 19: Die Meistersinger von Nürnberg (248240) **Berwaldhallen** Fri evening, Sat afternoon: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in works by Lidholm, Zimmermann and Beethoven (784 1800)

STRASBOURG

STRASBOURG FESTIVAL
Kiev Opera gives staged performances of Nabucco on Fri, Sat, next Thurs and Fri, plus a concert of Ukrainian sacred music on Sun and an opera concert on Tues. The festival, which runs till July 3, also includes an Opéra du Rhin staging of Così fan tutte and concerts by Strasbourg Philharmonic, London Symphony and South German Radio Symphony Orchestras (8832 4310)

STUTTGART

LUDWIGSBURG FESTIVAL
Tomorrow: Julian Rachlin violin recital. Fri and Sat: Ballet of Deutsche Oper am Rhein in Heinz Spoerli's Goldberg Variations. Sun: Pinchas Zukerman and friends. June 18: Evgeny Kissin. June 19: Yuri Bashmet. June 23, 24, 25: Rudra Béjart Lausanne (7141-949610)

ARTS GUIDE
Monday: Berlin, New York and Paris. **Tuesday:** Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. **Wednesday:** France, Germany, Scandinavia. **Thursday:** Italy, Spain, Athens, London, Prague. **Friday:** Exhibitions Guide.

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Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
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BUSINESS AND THE ENVIRONMENT

Eco-clothing is a long-term trend, not a fad, says **Barbara Harrison**

Fashions in green

Expecting a jump in sales: the Esprit range of women's leisure wear

Ecology-consciousness has arrived in the apparel industry. While eco-fashions have not yet been paraded down the haute couture catwalks of Paris, Milan or New York, their niche in the multi-billion dollar apparel industry is growing.

Since 1991, green-minded consumers have increasingly been able to find stylish clothing made from raw materials and with processes that match their concerns about the environment. Though many smaller companies were the first to make eco-minded clothes, large, mainstream US manufacturers, such as Esprit, Levi Strauss and VF Corp, are jumping on board.

"This is a trend, not a fad," says Andy Baker, marketing chief for VF's new O Wear division. The "O" is for organic, because the clothes are made from organically grown cotton.

VF, a Fortune 500 apparel maker whose brands include Lee and Wrangler jeans and Vanity Fair and Barbizon lingerie, made $4m (£2.6m) worth of O Wear sales last year and expects that to more than triple this year.

Esprit, the women's sportswear maker, is in the second year of its Ecollection, a special line of "green" clothes. At retail level, sales ran to about $4m last year, three quarters of which came from Europe.

Levi Strauss, the jeans-manufacturer, is preparing a launch of a "naturals" line of jeans. "Naturals", market tested last year, are made with naturally coloured cotton, eliminating the dying process which is a leading polluter.

Even footwear companies are entering the field. Nike, the athletic shoe and apparel company, has introduced a shoe whose outersole is 10 per cent re-cycled (reground) production scrap. Nike says the process cuts down the need for source material and helps reduce waste headed for landfills. The company plans to expand the process to all shoes in its outdoor cross-training and trail lines.

The exact size of the eco-clothing market is unclear. The American Apparel Manufacturers Association, which represents two-thirds of all apparel production in the US, would not venture a guess. Carl Priestland, the association's chief economist, says: "No one knows. It depends on how you define 'green'."

But those in the ecology movement have a definition. Carl Frankel, editor of the Green Market Alert newsletter in Bethlehem, Connecticut, says that eco-clothes are garments made with the following:

- "Green" or "natural" cotton, which is conventionally grown but processed in an environmentally improved manner, for example by reducing the use of resins and toxic chemicals;
- Organic cotton, which is grown without the use of chemical fertilisers or pesticides and involves crop rotation and other special farming methods;
- Naturally coloured cotton, which grows (both organically and conventionally) in colours and does not require dying;
- Recycled, post-consumer clothing, which is shredded and respun or woven.

By this definition, Frankel estimates conservatively that eco-clothes sales were $20m last year and will rise to $80m by 1996. But some feel the figure is higher and the growth of the market more explosive.

The increase in farming of organic cotton would seem to be an indication of where the market is going. Melanie Gordon, senior analyst with the National Cotton Council in Memphis, Tennessee, calculates that some 8,000 acres of organic cotton were planted last year, with a 6m lb harvest. She expects that to double this year.

Eco-clothing manufacturers, big and small, are uniformly optimistic about prospects.

For example, Ecosport, a small, New Jersey-based company which was one of the pioneers in the market, believes it will sell more than $5m worth of its organic cotton clothing this year, up from $1m in 1991 and $3.5m last year.

VF's Baker claims that "demand is blowing out the doors", from speciality shops. And Esprit expects its Ecollection to make a significant jump in sales next year when distribution is moved beyond its own 56 stores.

Yet this is a business with more than profits in mind. "It's sort of a mission," says Lynda Grose, the lead designer for Esprit's Ecollection, from Manchester, England. The Ecollection began in 1990 as an in-house research and development project. "It was never really intended to be a business," says Grose. But it is now well regarded in the company and some of its accessories and processes are being expanded into Esprit main lines.

The sense of mission is strong in this niche industry. Barbara Lesser, a founder and designer for the Santa Monica, California firm "Wearable Integrity", says that while her clothes sell in up-market department stores and speciality shops, she shaves margins to price them competitively. "We're committed to making this happen," she says.

A barrier to wider consumption of eco-clothing is its price premium. Organic cotton, for example, is scarce and costs twice as much as conventional cotton. Naturally coloured cotton, which was pioneered as a commercial product by Sally Fox, an entomologist in Bakersfield, California, is even more expensive.

In addition, the "greener" processes, such as the use of natural dyes or synthetic dyes with a low environmental impact, are applied on a small scale and are more costly.

But Fox, who is Levi's prime supplier and widely considered a star of the eco-clothing world, is confident that demand will grow and that as it does production will be spurred and prices will come down.

At present, eco-clothing makers say that as long as their products are in the same price range as designer-name sportswear, consumers will buy them. But they note that while consumers – whom they are trying to educate about eco-clothing – are drawn to the ecology concept, they are not buying just because it is a green product.

While consumers are drawn to the ecology concept, they are not buying just because the products are green

The challenge is "to come up with things that break through the granola image," says Grose. "The items that sell the best are the ones that look the best." Fox, with a pioneer's conviction, is sure it will catch on. "The public loves it," she says.

Hanoi finds Friends in international places

Kevin Bübel on attempts to preserve the city's culture

The visitor's first reaction to Hanoi is often surprise that after decades of war, isolation and neglect it is still intact and in many places unchanged.

Few cities in the region have managed to preserve their colonial and Asian heritage under the pressures of rapid economic expansion. But while rapid change looms for Vietnam, the drive towards prosperity may not sound Hanoi's cultural death knell.

An organisation recently launched in the Vietnamese capital aims to encourage new investment and growth with the help of corporate funds, while preserving the city's culture and its architectural environment.

The Friends of Hanoi Heritage is an international foundation supported by the Vietnam government, UNESCO and other international government bodies. Its board of trustees is chaired by Gough Whitlam, the former Australian prime minister. Accompanying him are Vietnam's Vice-Minister for Construction, Pham Sy Liem, and the Vice-Chairman of the Hanoi People's Committee, Dinh Hanh. Registered as a charitable trust in Australia, it is starting to attract investment from corporate backers interested in doing business in Vietnam. Cash will fund projects to set up the legal, economic, social and political frameworks with which to get planning and conservation programmes in motion.

In return, supporters of the foundation are promised useful business contacts with Vietnamese officials and fringe benefits – such as use of the Friends logo (a pagoda), government briefings on investment and local television exposure. The biggest donors will also receive invitations to briefings by Vietnam's prime minister and senior ministers. One of the project organisers, John Goodyear says it provides an "ethical entry" into government and commercial markets. Goodyear, an Australian lawyer who has worked in Asia for some years, is a director of the Sydney-based Indochina Financial Services (IFS), the company appointed by the trust to direct fund raising. "It's about preserving the city while recognising there is going to be economic growth. If it's not done correctly you don't have a city, you have another Bangkok," says Goodyear, referring to the development sprawl of the Thai city.

Price Waterhouse, the accountancy group, joined the organisation at the outset. It acts as the foundation's auditor and advises on setting up investment structures.

Road planning is crucial so that Hanoi develops in a controlled way

The idea was first taken to selected companies in Hong Kong at the end of February. Interest has also picked up in Japan, one of the largest foreign investors in Vietnam and in Singapore.

The fund-raising target for the first three years of the trust's 10-year duration is $5m (£3.3m). The foundation does not undertake its own conservation projects, but brings in money and advice so that the Vietnamese government can devise and implement its urban planning strategy.

For companies already involved with Vietnam, Peter Wallman, the IFS managing director and a former Australian investment banker, says donations to an organisation such as Friends could act as "insurance" for keeping up good relations.

"When you have a very powerful government which can make unilateral decisions, it's really important for a company to be linked to the cultural side of the country."

Hanoi's western architectural influence, provided by the French before they were forced to give up colonial rule in 1954, is much in evidence as the city was spared US bombs during the Vietnam war.

Although run down, the streets of Hanoi, also the cultural capital of the country, have a refined air. Divided into distinct quarters, the city was devised on a small, human scale. There is little four-wheeled traffic, with goods carried on the back of bicycles. But more cars would bring many areas to a standstill. There, says Goodyear, lies the other incentive for outside companies to consider the Friends initiative. "If you're building a hotel you'll want to be sure that in 20 years' time, traffic can still get to it. You'll have an interest in maintaining development, so that the city grows in a proper way."

Putting together a city-wide cultural conservation plan is complex. It involves road and housing development, resettlement of certain parts of the community and disruption to local business, as well as shaking up national and local government departments.

Friends has begun work on an archive of pictures and written material to establish which buildings are worth saving, using sources in Vietnam and France. The second stage will look at the drafting of a legal framework to protect individual sites, define land rights and set planning and construction standards.

A long-term objective is to pass on professional and technical expertise , so that the conservation and planning process can continue in Hanoi and across Vietnam.

"The Friends can't unilaterally change the [development] law. But they can say 'this is the recommended law' and if that is developed in conjunction with the Vietnam government, then it's going to get legal passage," says Wallman. Decisions and projects will rest with Hanoi.

But Goodyear says that western experience could be "layered in" to advise on which errors to avoid.

PEOPLE

From Capel to headhunting

James Fergusson, who resigned from James Capel in April, has picked up his first non-executive directorship, as chairman of headhunters Stephens Consultancies, run by chief executive and founder Fiona Stephens.

"Fiona picked up the phone quick as a flash as soon as she heard I was leaving" says Fergusson, 50, adding that the two have known each other for 20 years. While, as a fresh-faced headhunter, he would be too discrete to say so, Capel is presumably a longstanding client of Stephens.

Fergusson resigned from his position as managing director after what he calls a "little row" with Capel parent Hongkong Bank group. Capel had incurred losses of up to £16m on an eastern European venture capital fund, New Europe Hotels, shares in which were sold mainly out of New York;

Fergusson had been in charge of Capel's international operations.

Following New Europe, the bank was anxious to keep a low profile in the US. Fergusson explains. "They regarded us as a bit aggressive – though I think the rules of the game in the US are a bit different." He says that at 50, and with four youngish children, he would not have wanted to put in long City hours for much longer.

Stephens, meanwhile, was looking for a chairman for the first time. "It was felt the business had got very large and it was necessary to bring some sort of discipline to bear," says Fergusson. He adds that, in his one day a week, he will fulfil "a mildly executive role". The specialised headhunter operates in New York and Hong Kong as well as London and Edinburgh.

For Fergusson, who joined Capel in 1969 as a food analyst, says that his next ideal job would be on the board of a food manufacturer planning to go public in the next two to three years.

Another directorship for Sir Roland

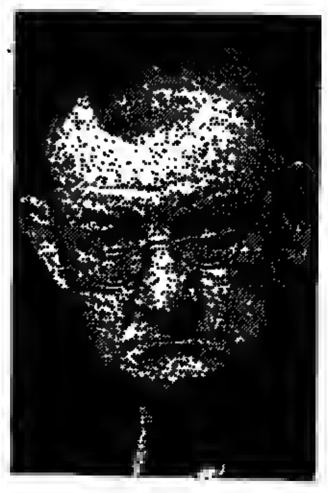
Professor Sir Roland Smith has just accepted his 10th non-executive directorship, this time as chairman of specialist publisher Harrington Kilbride.

"He is just the sort of person Ted Croker would have recommended to succeed him if he had been planning his retirement" says Kevin Harrington, founder and managing director. Croker, the former chairman, died suddenly last Christmas at the age of 68.

Although the two never met, Smith, who is chairman of Manchester United football team, will have known of Croker, who was secretary and chief executive of the Football Association between 1973 and 1989.

"Given it was not a planned retirement we had to go back and define the requirements. We wanted someone who was very much an international businessman as well as someone who would fit in with the fair amount of (sports-related publishing) that is still within the group," says Harrington, who did not employ headhunters to fill the position.

Smith, 63, is a also a director of the Bank of England, and chairman of Readicut International and Hepworth in addition to other non-executive posts. He was forced out of British Aerospace in a boardroom coup 18 months ago.



Public posts

■ Michael Mander, a director of Hill Samuel Bank, has been elected chairman of the council of the Institute of Directors, in succession to Sir Dermot Trafford Bt who has held the post since January 1991. Mr Mander will take up his new appointment on July 21.

■ Ron Young, director of Lombard North Central, becomes new chairman of EUROFINAS, the Brussels-based European Federation of Finance House Associations.

■ Robert Cook, who retired recently from the Army with the rank of major-general, has been appointed the new director of EEA which represents the electronics, telecommunications and business equipment industries.

■ Sir Bob Reid, chairman of British Railways Board, is to be the first chancellor of THE ROBERT GORDON UNIVERSITY, Aberdeen, and will be installed on June 26.

■ Chris Coffin has been seconded as an industrial adviser to the DEPARTMENT OF TRADE AND INDUSTRY from Strachan & Henshaw, the Bristol-based engineering company.

■ Jim Rowland, of UK Construction & Engineering, has been appointed president of OIL AND CHEMICAL PLANT CONSTRUCTORS' ASSOCIATION.

■ Bert Morris, of National Westminster Bank, has been elected chairman of the council of the ASSOCIATION FOR PAYMENT CLEARING SERVICES.

■ Paul Williamson, external affairs director of Cadbury, has been elected president of the BISCUIT CAKE CHOCOLATE AND CONFECTIONARY ALLIANCE.

■ David Astor, standing down as chairman of the COUNCIL FOR THE PROTECTION OF RURAL ENGLAND.

Daiwa replaces European chief

Japan's second largest securities house Daiwa is bringing Ryonosuke Miyoshi, deputy head of the capital markets division in Tokyo, to London as the next chairman and chief executive of Daiwa Europe.

Miyoshi, who celebrated his 49th birthday yesterday, was in London between 1983 and 1988 as head of the fixed income, money markets and derivatives division.

He replaces Katsuhiko Fujimoto, who has been in London since May 1991.

Fujimoto, 56, returns to set up the new trust banking operation, a service that the securities houses are now able to offer as a consequence of the continuing capital markets deregulation.

Like Miyoshi, he is on the main board of Daiwa Securities.

In common with other Japanese securities houses, Daiwa Europe has found its business from Japan tailing off.

Pre-tax profits at Daiwa Europe and its subsidiaries were £4.2m for the year to March 1993 compared with £18.9m in the previous year, Daiwa revealed yesterday.

However, it has sought to build up its European activities to compensate; the company points out a number of Euromarket successes including recently becoming the first Japanese house to lead manage a Eurosterling issue (for Eurofima).

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MANAGEMENT

Finding the right Touche

Tim Dickson looks at Henderson's strategy for integrating a fund management rival

Budding empire builders in the City of London must be heartened by stock market reaction to the £42.6m acquisition of Touche Remnant by fund management group Henderson Administration. Henderson shares, after all, have outperformed the FT-A All-Share index by 20 per cent since the merger was first proposed in October.

There is more to takeovers in the financial services sector, however, than sound timing and a good strategic fit (the aspects of the deal which have gone down well with investors). Combining businesses with more than their share of highly paid egos, reconciling different computer systems and physically transferring furniture and other equipment to tight timetables represents a large organisational challenge and demands a particular blend of management skills.

"The process of integration is complex," said Ben Wrey, Henderson's chairman, with, no doubt, deliberate understatement, as he announced the group's 1992/93 financial results on Monday.

Wrey and colleagues acknowledge that this process is not complete. But they believe that the smoothness of the transition so far augurs well for the future of the enlarged group (combined funds under management £11.5bn, including a wide range of investment trusts, unit trusts and pension funds), and contains valuable lessons for others.

Certainly the vacating of Mermaid House – Touche's riverside offices – and the relocating of Touche personnel inside Henderson's headquarters in the Broadgate complex, look to hava been achieved with enviable speed and efficiency. More questionable is whether Henderson can be equally proud of the way it handled the human resources issue.

To be fair to Henderson, the long gap between the first public announcement of talks on October 13 and completion of the deal on December 22, followed immediately by the Christmas break, inescapably heightened tension. Moreover, when all is said and done, defections of key staff were minimal (and non-existent in the case of fund managers).

Any scope for criticism lies in the time taken to inform employees about their personal futures. More than half of Touche's 180 staff, and 10 of Henderson's pre-merger total of 400 employees, were made redundant, albeit after free counselling and additional compensation for those with long service.

Henderson obviously thought it reasonable in the circumstances to set a deadline of January 19 for talking to each employee. Inevitably perhaps, others disagree. One executive who has since left the group voluntarily - and therefore with no axe to grind - believes better planning was possible in the weeks leading up to completion. "There was nervousness for longer than was necessary, particularly among senior Henderson staff, and I think some people who might have stayed didn't do so because of the uncertainty. I know hindsight is a wonderful thing but the lesson for me is to communicate, communicate and communicate. Then to do it again."

Henderson's personnel director Michael Robinson insists two-way communication was a priority from the start. "Studies show that 50 per cent of takeovers ultimately do not meet their commercial objectives because of a failure to win the hearts and minds of the acquired staff," he observes. "People invent information if kept in the dark."

Henderson's decision to enlist the services of a third party – the consultancy People in Business – can be seen as a sign of this commitment. The brief was to talk to key staff in both companies to establish their perceptions and their expectations of the merger. The resulting comments – unexpurgated if unattributable – were apparently pretty robust but by all accounts Henderson responded to the criticisms. "It made us aware of a number of misconceptions about ourselves, our business, and how we operate it," is how Robinson puts it.

Henderson mentors – known internally as "pilots" or "shadows" – were assigned to each Touche employee to help speed up the process of assimilation. But Robinson says this could take a year.

If cultural adaptation inevitably takes time, the physical transfer of Touche staff and their systems was achieved a week ahead of schedule. Henderson, though, had the perfect incentive to get cracking, expiry at the end of March of a three-month, rent-free period negotiated with Touche's previous owners, the French bank Société Géoérale.

Nevertheless, recalls the managing director of administration John Hughes, "Two firms of outside consultants told us that transferring all the systems and converting them in the timescale couldn't be done in businesses of this size."

Advanca planning was clearly crucial. Even before talks between the two sidas were publicly announced, the bidder had decided to make integration a joint exercise – with Henderson and Touche staff working together. Joint Integration Groups (JIGs) were established for nine main business areas, each of which was given simple control and management guidelines.

Flexibility was maintained, though, so that the approach of each JIG could be varied. "It is easy to overplan these things," observes corporate finance manager Mark Lund. "In many instances a one-page plan is sufficient, but in others a more detailed plan is required."

Good communications – vertically between JIGs and the overall steering group and horizontally between JIGs – ensured that operational problems were mostly resolved as they cropped up. There was also a strong emphasis on motivation, ensuring that good work was recognised and rewarded.

Fred Kinahan, Henderson's facilities manager and the man ultimately responsible for co-ordinating the 15,000 man-hours (nine man-years) of relocation effort, believes the achievements of properly motivated people cannot be over-estimated. "One of the major motivational factors for our team was when senior management took the time to thank them for doing a good job (and not just at the end of the project)."

The unplanned-for invariably happens, as when the crane company due to remove Touche's four, one-tonne Kardex Lectriver mechanical filing machines let Henderson down. "Our team showed great ingenuity," says Kinahan. "They dismantled each machine into several hundred parts, manhandled them out of the building and reassembled them at our office. What's more they still work and the cost worked out at 70 per cent less than the outside contractor."

The Henderson team: (from left to right) Peter Johnson, finance director, Fred Kinahan, John Hughes, Jeremy Edwards, group managing director, Mark Lund and Michael Robinson.

A shot of advice for business travellers

Vaccinations are still extremely important, writes **Dr Carol Cooper**

HEALTH CHECK

DESPITE astuteness in other fields, business travellers tend to be dangerously cavalier about health. Trips are often arranged at short notice, when other matters take higher priority. Unless their employer takes responsibility for preventive medicine, business travellers give it little thought, or simply assume that staying in good hotels guarantees good health.

While this may hold more or less true for North America, Northern Europe, Australia and New Zealand, the rest of the world is more perilous and there are some precautions travellers should find time for, no matter how rushed the schedule.

An incomplete course of immunisations is better than none.

Travellers should be up to date with tetanus as the spores which cause the disease are widespread in the developing world. Admittedly tetanus is more of a hazard for those roughing it, but infection can result from very trivial injury and the right treatment may be unavailable in an emergency. Provided a traveller has had a full course of tetanus toxoid in the past, a booster every 10 years is enough.

Polio presents a serious risk in countries with poor hygiene and may be spreading in Europe too. The British have little natural immunity to it, so again immunisation is essential.

Those who have never had polio vaccine need three oral doses (drops or sugar cube) at monthly intervals. Anyone immunised in the past needs only one booster every 10 years – worth doing even if travel is not on the agenda.

Typhoid is also widespread. The traditional vaccine requires two doses and protection lasts three years. The new oral vaccine Vivotif is only three capsules (one capsule, alternate days) and avoids the feverish reactions associated with the traditional vaccine. There is also a new single-dose injectable vaccine, Typhim Vi, which seems free of significant side-effects.

Another new vaccine is that for hepatitis A, which supersedes the painful and relatively ineffective gamma-globulin injection. Hepatitis A is common in the developing world, but it occurs in Britain too, so some people are already immune. If time allows, check immunity with a blood test before having the vaccine.

An international vaccination certificate for yellow fever is still needed for Nigeria, Ghana and many other countries, and the certificate is not valid until 10 days after the jab. The vaccine gives virtually 100 per cent protection for 10 years and is given in about 600 specialised centres in the UK.

Cholera vaccine provides negligible protection and there is no longer any international requirement for it. Nonetheless, immigration officers in some countries still ask for a certificate – hence the risk of hepatitis B or HIV from a dirty needle at the port of entry. If going to Zambia, Mexico, or parts of South America, it may be a good idea to be armed with an exemption certificate, have the vaccine before departure, or take a small supply of sterile disposable needles, available from Masta (Medical Advisory Services for Travellers Abroad).

Only 5 per cent of travellers' illnesses are preventable by vaccines.

Even in the most prestigious accommodation, care with food and water is important in preventing cholera as well as common types of diarrhoea which could otherwise ruin a vital meeting.

Anti-malarial tablets are vital if visiting a malarious area and should be started a week before the trip and continued for at least four weeks after returning home.

According to one estimate, only two-thirds of those at risk are taking anti-malarials, so it is no surprise that 2,000 people import malaria into Britain every year, of whom about a dozen die. Even normally low-risk areas such as Ethiopia and Zambia have seen epidemics recently and malaria parasites are also becoming more resistant to drugs. The right tablets depend on the itinerary, including stopovers. Check the current situation by phoning the Malaria Reference Laboratory Healthline on 0891 600 350.

Protection given by anti-malarials is important but far from perfect. Measures should also be taken to prevent mosquito bites. The anopheles mosquito (the female of which transmits malaria) tends to be more active in the evenings, so sleeping under a mosquito net can help, especially if it is impregnated with insecticide.

Air-conditioning, when working, reduces the chance of being bitten, but one has to leave the hotel sometime.

Outside, cover legs and arms with clothing after sunset, and apply insect repellents to exposed skin (Jungle Formula products can be bought from chemists before departure.)

Masta can supply up-to-date immunisation advice and health briefs for individual countries, and will fax if necessary. Call 071 631 4408 with itinerary.

British Airways travel clinics provide a wide range of vaccinations, including yellow fever and other travel advice. A recorded message, on 071 831 5333 gives details.

The author is a GP in London.

British cities face decline against rivals

By Peter Marsh, Economics Correspondent

HIGH living costs, poor transport links and declining manufacturing activity will damp growth prospects for British cities in the 1990s compared to their continental rivals, according to a report published today by a group of European research institutes.

The European Economic Research and Advisory Consortium says that out of 32 European cities ranked according to likely growth, five of the bottom eight positions are occupied by UK cities.

While London scores highly as a centre for financial services and as a headquarters for multinational companies, its growth potential may be held back by poor transport infrastructure and failure by the UK to participate fully in European economic integration.

Of the 32 cities studied, Barcelona, Dublin, Lisbon, Berlin and Hamburg come out with the highest ratings for likely economic growth between 1991 and 1997. While Barcelona is considered capable of average growth of 3.2 per cent a year during this period, London is likely to achieve a comparable figure of just 1.2 per cent.

London occupies 28th position in the league table, with Glasgow, Cardiff, Manchester and Birmingham also being included in the bottom eight rankings. Other members of the also-rans include Turin, Dusseldorf and Cologne.

Frankfurt, Paris and Amsterdam – rivals to London as centres for financial services – are ranked in the league table in respectable positions of 11th, 12th and 13th respectively. The highest rated UK city is Edinburgh.

The report says that the declining share of manufacturing activity in the economies of many big UK cities during the 1980s is a key reason for their relatively low growth prospects. After the sterling devaluation caused by Britain's decision to quit the European exchange rate mechanism, UK manufacturers are thought likely in the next few years to prosper compared with many overseas rivals due to greater competitiveness.

According to the study some UK cities also suffer an "image problem" linked to poor road and rail connections and low workforce skills. These factors may inhibit growth, especially in manufacturing, compared to rural and suburban areas.

Among the high-growth cities highlighted in the report – strong expansion in service industry employment together with a stable manufacturing base are highlighted as being helpful factors.

The ERECO members include Cambridge Econometrics from the UK, BIPE (Paris), ECOTEC (Birmingham), IFO (Munich), NEI (Rotterdam), Prometeia (Bologna) and WIFO (Vienna).

European Regional Prospects, May 1993, European Economic Research and Advisory Consortium, available from Cambridge Econometrics, Covent Garden, Cambridge CB1 2HS, or from ERECO, 48 rue de Cardinal, 1040 Brussels. Two volume report for Ecu 2,000 or £1,600.

EUROPEAN GROWTH LEAGUE*

	% p.a.
Barcelona	3.4
Dublin	3.2
Lisbon	3.0
Berlin	3.0
Hamburg	2.9
Munich	2.8
Lille	2.8
Utrecht	2.7
Brussels	2.6
Vienna	2.6
Frankfurt	2.6
Paris	2.6
Amsterdam	2.4
Edinburgh	2.3
Lyon	2.3
Rotterdam	2.3
Copenhagen	2.1
Bologna	2.0
Stuttgart	2.0
Marseilles	1.9
Athens	1.8
Madrid	1.7
Milan	1.7
Rome	1.6
Glasgow	1.6
Turin	1.5
Cardiff	1.5
London	1.2
Dusseldorf	1.2
Cologne	1.1
Manchester	0.9
Birmingham	0.2

*Source: European Regional Prospects. Cities ranked by forecast growth in output (inflation-adjusted)

Dispute ahead of BT sale

By Andrew Adonis

A DISPUTE between BT and Oftel, the industry regulator, over the charges to be paid by BT's competitors for use of its network will cast a shadow over the imminent sale of the government's remaining stake in the privatised company.

The argument, set off yesterday by draft Oftel plans to guarantee competitors fair access to BT's network, is unlikely to be resolved before the sale next month.

Although analysts believe Oftel's plans have no significant implications for BT's profitability, potential investors will be warned of them in the prospectus.

Oftel stops short of calling for BT to be broken up but wants to see the network and retailing side of its business accounted for separately and provisions to stop BT discriminating in its network charges.

Although prepared to justify and publish new tariffs for new entrants BT believes the proposed rules are too complex, and it objects to the reserve powers the regulator proposes to take to impose settlements between BT and its competitors.

However, neither side thinks it likely that the dispute will conclude in a reference to the *Monopolies and Mergers Commission*. BT and other operators have five weeks to comment on the plans.

Engineers asked to catch the customer in

By David Goodhart, Labour Editor

THAT Great British tradition of taking half a day off work to wait for a telephone engineer or the gas man to visit could be nearing its end.

British Telecommunications intends to introduce new working hours for its engineers, including routine weekend working, which fit in with other people's working hours rather than the other way round. BT, which is under severe competitive and regulatory pressure, wants to introduce a daily working span of 8am to 10pm and Saturday and Sunday working.

In the longer run BT hopes to introduce a proper appointment system, within quite narrow time bands, so that customers no longer have to rearrange their lives to fit in with the engineer's visit.

Currently, most utilities can offer nothing more precise than morning or afternoon visits, although most of the regional electricity companies now claim to be down to a two-hour time band.

Many of the utilities have offered some increase in the services provided outside normal office hours in recent years. British Gas, for example, has extended to 8pm on weekdays the time at which it is possible to query bills and make appointments. But meter reading and non-emergency service work remain stubbornly fixed within normal office hours.

BT is trying to sell the flexible working and anti-social hours package to employees by offering a four-day week in exchange for the longer daily working hours. Sunday attendance would also attract a premium payment, although not the full overtime rate as at present.

The main BT union, the National Communications Union, is not enthusiastic about the changes but is ready, in principle, to fit workers' shifts to customer needs.

As a quid pro quo, the NCU has been asking BT for a general reduction in working time.

Students face university top-up fees

By John Authers

UNIVERSITIES are free to levy top-up tuition charges on students, Mr Tim Boswell, the higher education minister, said yesterday.

Mr Boswell told a conference of lecturers' unions that academic autonomy meant that it was "up to individual institutions whether they decided to charge top-up fees".

His comments follow a proposal by the London School of Economics to charge its students an extra tuition fee of between £500 and £1,000 for the academic year of 1994-95. They were interpreted as an attempt to soften up public opinion on the issue.

Cuts in funding for tuition have been mooted as part of the review of public expenditure being conducted by Mr Michael Portillo, the chief secretary to the Treasury.

The LSE stressed that its proposal, which it expects to ratify by the end of this term, was a result of the government's decision to cut the tuition fees it pays for classroom-based courses next year from £1,850 to £1,300 per student.

It said bursaries would be available for all those who at present receive no contribution towards living costs from their parents. A spokesman said: "We have no intention of excluding anyone because they cannot pay."

However, wealthier parents, many of them Conservative voters, would have to pay the extra fees in full.

Mr Boswell sought to distance himself from the LSE's decision by stressing that the move had not been initiated by him or the education department. "We have no plans either to move towards overall fees or to encourage institutions to do so," he said.

But Mr Jeff Rooker, Labour's higher education spokesman, said: "The government is encouraging universities to charge extra fees by manipulating the notional fee mechanism." He predicted that a handful of universities at most would be able to follow the LSE, creating a "two-tier education system".

Few other universities seem likely to follow suit in the near future, according to the Committee of Vice-Chancellors and Principals. LSE has been hit harder than than most institutions by government cuts because it has no laboratory-based courses, for which the fees it is paid have remained unchanged.

Britain in brief

Probe into Gulf War ship rates

Britain paid a premium of about £38m above normal commercial charter rates to ship military supplies to the Gulf during the conflict of 1990-91, according to a National Audit Office report published today.

The report, which coincides with a police investigation into alleged fraud in the contract arrangements, also finds that some of the commissions paid were unusually high.

The special shipping committee set up by the Ministry of Defence failed to keep records showing how it decided which ships to charter, the watchdog body says.

The NAO, which reports to parliament on the way taxpayers' money is spent, says that because of the fraud inquiry, it was unable to find out why only five of the 162 ships used were British.

A decision on possible prosecutions is now in the hands of the Crown Prosecution Service following investigations by the MoD police.

However, the ministry said there was "no evidence" of fraudulent activity.

Rivals bid for business radio

Two rival consortia hoping to launch commercial business radio stations for the London area were among 48 applications submitted to the Radio Authority.

The competition for a business station on an AM frequency pitches London Business Radio, whose shareholders are the GWR radio group, Reuters and Associated Newspapers against London City Talk Radio.

City Talk has been put together by Mr Mike Bloomberg, the Wall Street entrepreneur who is a growing rival of Reuters in the financial information business. Mr Bloomberg's backers include the International Herald Tribune and Prof George Bain, principal of the London Business School.

LBR would draw on the strength of Reuters correspondents around the world. City Talk would aim to be the radio equivalent of Cable News Network with 20-minute programme segments updated 24-hours a day.

'Saved pits' now at risk

British Coal warned for the first time that some of the 12 pits reprieved in March were at risk as it announced plans to cut half of the 6,000 white collar jobs at the corporation.

The warning by Mr Neil Clarke, chairman, came as the National Grid predicted a stark decline in coal's input into electricity making and National Power, the generator, announced the closure of Thorpe Marsh, the coal-fired station in Doncaster, South Yorkshire, with 200 job losses.

In his gloomiest prognosis yet of the British Coal's prospects, Mr Clarke said he feared the electricity generators did not wish to buy any more coal, "certainly not until the autumn".

Football levy to improve stadia

The Football League, comprising the English first, second and third divisions, wants to impose a levy on transfer fees and prize money to pay for ground improvements.

The league wants to retain 5 per cent of all transfer fees and 10 per cent of the "ladder money", the sliding-scale cash awarded according to final league position. In the 1991-2 season, such levies would have been worth £2m.

The money will not be redistributed but kept by the league to give back to the clubs for ground improvements. The clubs will vote on the proposals at their annual general meeting on Friday.

More work for Swan Hunter

Swan Hunter, the Tyneside shipbuilder, has won a further two weeks' outfitting work on the three Type 23 frigates which are its main current workload, receivers Price Waterhouse confirmed. The agreement between the receivers and the MoD is the third extension to work on the frigates since Swans went into receivership in mid-May.

Super-union moves closer

The creation of one big general union, bringing together nearly two million unskilled and semi-skilled workers, moved a step closer yesterday with the announcement yesterday that formal talks will begin for the first time on the possibility of a merger between the TGWU and GMB general unions.

Delegates at the annual conference of the GMB, traditionally a centre right union, agreed by 10 to 1 to a policy document which argued the case. Talks will not begin until after the annual conference next month of the TGWU, a union whose hard-left image has softened in recent years.

Purdah shorter

The traditional pre-budget "purdah," when Treasury ministers refrain from public comment, is expected to start immediately after Mr Kenneth Clarke, the chancellor of the exchequer, addresses the Tory party conference in October. The first unified budget, in November, envisages a shorter than usual "purdah" but does not abolish the convention completely.

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VW aims to double value of parts sourced in UK

By Kevin Done, Motor Industry Correspondent

THE VOLKSWAGEN group of Germany, Europe's biggest carmaker, aims to double the value of its component purchases in the UK to about DM1bn a year by the end of this year.

The total is expected to continue to rise rapidly to more than DM2.5bn by the mid-1990s from DM500m last year. The mova is part of the group's effort to cut its purchasing costs in order to reduce its heavy losses.

The group suffered a loss of DM563m in the last quarter of last year and a loss of DM1.25bn in the first quarter this year.

The group established a UK purchasing office in Milton Keynes earlier this year as one of seven regional offices around the world responsible for implementing the group's new global purchasing strategy. Last year the UK accounted for less than 1 per cent of the group's purchasing volume of DM53.8bn, hut Mr Frans Boot, bead of the UK purchasing office, said this could increase to more than 5 per cent by the mid-1990s.

The UK operation is seeking to increase purchases for all the group's four divisions, Volkswagen, Audi, Seat and Skoda, which are being linked into one global purchasing system by Mr José Ignacio Lopez de Arriortúa, the recently appointed group director for purchasing and production.

Mr Lopez, who moved from General Motors in March, was previously responsible for greatly increasing the volume of GM components purchases in the UK.

VW bas previously lagged behind its rivals among the world's volume carmakers in seeking lower-cost componeots outside its main German supply base, and the UK is seen as one of its most promising sources for lower-cost purchases.

The group said yesterday tbat UK component makers had become much more competitive as a result of the arrival in Britain of the Japanese carmakers, which bad greatly improved levels of quality, service and cost.

The company said yesterday: "This exposure to the latest quality, production, delivery and working practices in an area of increasing competition makes UK suppliers very attractive to Volkswagen."

Tbe drive to increase purchases in tbe UK bad been intensified by the devaluation of sterling against the D-Mark, it said.

Mr Boot said that there had been "a quantum leap" in the competitiveness of tbe UK automotive components supply base since the late 1980s. "It is not just low labour costs and currency but also in product development capability, quality and just-in-time delivery with the Japanese transplants working on the supply base."

Mr Boot said some quotations from UK suppliers were coming in at only 60 per cent of VW's present costs. He admitted that some of the group's German plants were still showing "quite some scepticism" towards the increasing use of UK producers because of earlier problems with quality and reliability.

SFO attempts to keep Nadir from going to Turkey

By Jimmy Burns, John Murray Brown, Andrew Jack and Alison Smith

A SENIOR officer of the Serious Fraud Office has flown to Turkey in an effort to prevent Mr Asil Nadir, the former Polly Peck chairman from travelling to the Turkish mainland.

News of this latest initiative, undertaken without publicity by the SFO, came as Mr John Major conceded that Mr Michael Mates, the Northern Island security minister, had committed a "misjudgment" in giving a watch to the fugitive businessman Mr Asil Nadir, but not "a hanging offence".

Ms Lorna Harris, the SFO lawyer handling the Nadir case was holding meetings with senior officials in Turkey after flying secretly to Ankara on Monday for a week-long mission to break the deadlock over the fugitive businessman who jumped his £3.5m bail.

Mr John Goulden, the British Ambassador in Turkey, confirmed Ms Harris had met with Turkish authorities, but said it was part of a "continuing process" of co-operation on the case between Turkish and British officials.

Contacted at his home in Lapta earlier this week, Mr Nadir restated his intention to fly to Turkey "very soon," to regain the remnants of his former business empire.

In recent days, Mr Nadir's Turkish lawyers have successfully prevented the sale of his Gunaydin newspaper title and had a power of attorney given to his administrators in bankruptcy revoked in the Turkish courts, thus preventing efforts to dispose of Media Print, a company with assets worth several million pounds.

Turkey's interior minister Ismet Sezgin has said publicly Mr Nadir is free to travel to the mainland, although informally Turkish officials are understood to have urged Mr Nadir not to travel to Turkey.

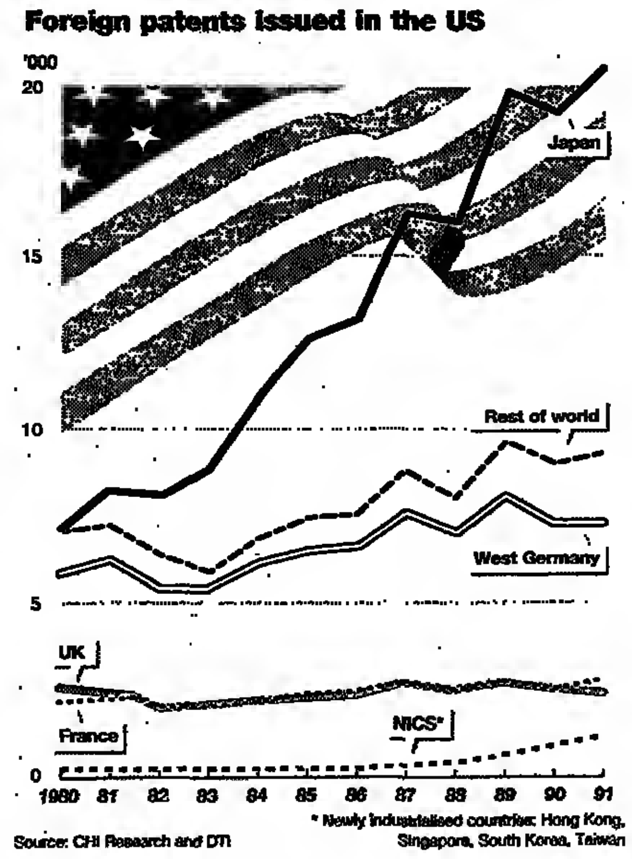
Foreign minister Hikmet Cetin reaffirmed Turkey's "full co-operation" on the Nadir affair in talks with UK officials which took place at the end of May.

In the Commons yesterday Mr Major admitted that Mr Mates, had been unwise to give the fugitive businessman a watch with a supportive inscription.

Mr John Smith, the Labour leader, attacked Mr Major over the way in which both Mr Mates and Mr Michael Heseltine, the trade secretary, had raised Mr Nadir's case with the attorney-general.

He accused Mr Mates of undermining the work of the SFO and described the whole affair as "shabby and unseemly". Mr Major emphasised that Mr Mates had no financial involvement of any kind with Mr Nadir.

Foreign patents issued in the US



* Newly industrialised countries: Hong Kong, Singapore, South Korea, Taiwan

Source: CHI Research and DTI

Foreign companies spend much more, says study

UK industry lags in R&D

By Clive Cookson, Science Editor

BRITISH companies increased spending on research and development by 6 per cent last year, although the recession reduced their profits by 11 per cent, the annual R&D Scoreboard, published today by the Department of Trade and Industry, shows.

The DTI report points out that UK industry carries out much less R&D than its international competitors on any comparative measure – and the UK slipped further behind last year. The world's 200 largest companies increased spending by 8 per cent while their profits declined by 9 per ceot.

This year's R&D Scoreboard includes more extensive international comparisons than its two predecessors. They show that UK companies devoted 1.55 per cent of aggregate sales revenue to R&D last year, compared with a world average of 4.59 per cent, and only 19.7 per ceot of profits compared with 94.3 per cent internationally.

The report also shows for the first time the "inexorable decline in the contribution of British companies to the patent register in the USA" (see chart). The UK share of all US patents fell from 10 per cent in 1980 to 6 per cent in 1991.

The sector in which the UK performs best – both in R&D spending and in output of patents – is pharmaceuticals. Among individual companies, Glaxo, the largest British drugs manufacturer, stood out with a 25 per cent jump in R&D last year from £475m to £595m, although it was still second to Johnson & Johnson of the US in the world health-care league.

The two Anglo-Dutch giants, Unilever and Shell, both headed the speeding tables for their respective sectors. In food, Unilever's turnover was very close to Nestlé's bnt its £461m R&D budget far exceeded the Swiss group's £302m. In fuels, Shell came just ahead of Exxon of the US.

Aerospace suffered the steepest relative decline of any UK sector last year.It cut R&D by 8 per ceot while the international aerospace industry increased spending by 11 per cent. The main factor was the financial retrenchment at British Aerospace, which led to a 23 per cent slide in R&D outlays.

The R&D Scoreboard was prepared for the DTI by Company Reporting of Edinburgh, on the basis of R&D expenditure published in the annual accounts of 340 UK companies.

Company Reporting said such disclosure should now be standard practice, yet 25 per cent of companies that mentioned R&D in their annual reports for 1992 did not say how much they spent. They inclnded Associated British Foods, BET, J. Bibhy, Eastern Electricity, Guinness, J. Sainsbury and Tate & Lyle.

Developing world aid agency to lose funding

By David Dodwell, World Trade Editor

THE GOVERNMENT is to end its aid funding for the Commonwealth Development Corporation, Britain's main agency for channelling aid to the private sector in the developing world.

In figures about to be released under the Foreign Office's cash plans for oext year, the current CDC funding of £49m will disappear next year. In part compensation, the CDC will not pay interest on outstanding loans.

The total Overseas Development Administration budget is set to rise by 4 per cent from £2.27bn to £2.31bn, with the only significant increases being rises from £202m to £272m in funding for the European Development Fund, and from £131m to 187m in EC funding for eastern Europe and the former Soviet Union.

The CDC is the main casualty of a 35 per cent increase in funding for European Community aid efforts – a shift that has occurred in spite of criticisms by ministers and members of parliament over inefficiencies in the way aid from the EDF is disbursed.

This shift will raise the EC share of Britain's gross aid budget from less than 15 per cent this year to 20 per cent in 1994. The move will cut the projects it supports from more than 300 last year, to around 200 in 1994, the CDC says.

The cut comes in spite of a recent Monopolies and Mergers Commission report, which commended the CDC as providing "a highly effective form of aid" that "fits well with the trend of international thinking on development assistance."

The decision will "take the growth out of the CDC, and make us sweat a bit more", Mr John Eccles, chief executive, said, but the CDC would look to the EC for support in future.

Labour rifts may have undermined Virgin deal

By Paul Betts, Aerospace Correspondent in Paris

THE PRESENT wave of industrial relations friction at British Airways seems to have played a role in the company's refusal to pay Virgin Atlantic Airways £9m in compensation to settle the dispute between the two.

Mr Robert Ayling, BA group managing director, said yesterday that the airline would have had to justify such a large settlement to its staff at a time when they were being asked to make sacrifices.

"The board of the company also has a duty to its shareholders to justify such an amount and the staff is increasingly conscious of every penny the company spends," he added, after addressing a Financial Times aerospace conference in Paris.

Mr Ayling conceded that "people are becoming frustrated" that the dispute had not been resolved in spite of the Civil Aviatioo Authority's initiative to bring the two parties together.

The CAA mediation attempt collapsed when Virgin insisted on a £9m cash settlement while BA wanted the dispute to go to arbitration.

"In assessing how we might settle the claims, we took account of all the potential lawsuits we might face, but we did not think that threat could begin to justify payment of £9m," Mr Ayling said.

BA had originally proposed a £9m settlement last March but subsequently withdrew the offer when Virgin decided to take further legal actioo against BA.

Mr Ayling said the company's challenge was to turn Gatwick, where BA lost £38m last year, into a viable operation. It faced two options: expand its Gatwick operations on a lower cost base or close them down.

● The threat of strike action this week at Gatwick airport was lifted yesterday as BA management reached agreement witb the GMB general union over pay and conditions for workers including flight controllers and computer staff.

Islamic militants bomb bus in Egypt

By Roger Matthews, Middle East Editor

ISLAMIC extremists killed one man and injured 14 others in a bomb attack on a tourist bus in Cairo yesterday as part of a continuing campaign to cripple the tourist industry, Egypt's biggest source of foreign revenue.

The terrorists dropped the bomb from a bridge as the bus travelled through an underpass towards the pyramids at Giza. It exploded on a car, badly damaging the vehicle and the tourist bus which was following.

One Egyptian died and 14 other people were injured, including five Britons who were among a party of 39 on a one-day visit to Cairo.

The attack was the latest in a year-long campaign waged by extremists primarily against the tourist industry, but which has also targeted government ministers, senior security officials and members of Egypt's Coptic minority.

The economy has already felt the impact with some forecasts suggesting a halving of tourism revenues this year. Over 3m tourists visited Egypt last year with earnings estimated at $3.2bn (£2.1bn). Some officials had forecast an increase to more than $4bn during the current year.

President Hosni Mubarak has blamed Iran for being behind the violence, which he claims is aimed at destabilising his regime. However, there is also evidence that widespread poverty, particularly in the south and in inner city areas, is proving fertile recruiting ground for groups pledged to the introduction of full Islamic government.

The authorities have responded to the attacks by declaring all-out war on the extremists and have used thousands of police and para-military units in assaults on suspected terrorist hideouts. Military courts have sentenced 21 extremists to death in recent months.

Religious broadcasting on the state-run media has also been sharply increased in an effort to demonstrate that the regime is more devout than its radical opponents.

This has caused growing alarm among more liberal, secular groups in Cairo who say that the government is polarising society and denying greater democratisation which, they argue, is the only effective way of defeating the Islamic extremists.

● The British Foreign Office is waiting before deciding whether to advise Britons not to visit Egypt in the wake of today's terrorist attack.

"Our consul and vice-consul are visiting the scene of the incident and will be reporting back," the Foreign Office said. Advice to visitors to Egypt, issued in March this year, was that they should be vigilant at all times, avoid Dairut and Assiut districts unless carrying out essential business, and dress and behave discreetly.

While the highest priority was given to protecting visitors, people's safety could not be guaranteed and further incidents in Cairo and elsewhere "must be expected".

The Association of British Travel Agents said it would continue to tell tourists of the dangers and urge them to be careful.

More than 80,000 Britons visit Egypt each year.

Japan believes worst of banking crisis is over

By Peter Norman, Economics Editor, in Tokyo

JAPAN will tell its Group of Seven economic summit partners that its banking system is over the worst of the problems left by the bubble economy of the late 1980s and that its economy is recovering.

Although it may take two to three years for Japan's banks to work off their bad loans, the ministry of finance is satisfied operating profits have risen and that the crisis in the financial system is past its peak.

The ministry's confidence has reached a point where officials are letting it be known that the government will not allow bank failures.

Mr Eisuke Sakakibara, a finance ministry deputy director-general, said yesterday it was the ministry's policy never to allow a bank to fail. The government felt the financial sector was in part a public good and that some "socialisation of risks" was necessary.

Some banks in Japan have been bailed out recently at a cost to the country's deposit insurance scheme. While bank managers have been fired in such cases, depositors have not been affected. So far, the government says no tax revenues have been used in bailing out stricken banks. Instead, Japan's banking industry has been expected to carry the costs.

The better outlook for Japan's financial sector will form part of an upbeat assessment of economic developments to be presented to Japan's G7 partners at next month's summit in Tokyo.

The government is expected to counter US demands for fiscal action to boost growth by asserting that the economy bottomed out in the first quarter of this year and should return to annual growth rates of 3.5 per cent.

● Japan's Y2,190bn (£13.2bn) supplementary budget, designed to pull the economy out of recession, has become law, Reuter adds.

It is the first time in 32 years that Japan has drawn up an extra budget during the 150-day ordinary parliamentary session ending in late June, the finance ministry said.

The supplementary budget will increase government spending in 1993-94 to Y74,540bn overall. It will fund a Y13,200bn economic stimulus package unveiled in April.

See Editorial Comment

From career woman to a life of imperial isolation

Emiko Terazono reports on how the Japanese regard Masako Owada on the eve of her wedding

WHEN Miss Masako Owada enters the imperial palace in the heart of Tokyo to wed the heir to the Chrysanthemum Throne today, she will be purified with sacred water, and initiated into an isolated life as wife to the eventual spiritual head of the Japanese people.

She and Prince Naruhito will take their vows before the Amaterasu, the sun goddess, the most important in the Shinto religion. For modern Japanese, though, the spiritual side is just theatre - they want to know if the career girl commoner and the prince will live happily ever after.

And on a even more wordly level, for some Japanese, the wedding will mean only an excuse to drink "royal" sake with gold flakes floating in it, eat "royal" lunch boxes and festive cakes.

Following the relief at the initial announcement that the 33-year-old prince had finally found a bride, the Japanese media has turned the story into a great romance - a tale of a prince who battled to win his love.

The imperial household agency, the mandarins who jealously guard the affairs of imperial family, initially strongly opposed the prince's choice of the 29-year-old Miss Owada.

Her grandfather headed Chisso, a chemical manufacturer once linked with poisonous mercury disposals in southern Japan. Miss Owada herself refused the prince's proposals on several occasions as she pursued a career as a diplomat in the footsteps of her father - Mr Hisashi Owada is deputy foreign minister. The prince vowed to protect her from the pressures and antagonisms of the imperial court, and Miss Owada eventually accepted his hand.

Masako Owada (left) with her sister outside her Tokyo home holding a paper lantern given by cheering neighbours

Today's royal wedding has not been met with the frenzied excitement as the marriage of the current Emperor Akihito and Empress Michiko 34 years ago. "For ordinary Japanese in 1959, the royal couple playing tennis in a summer resort, and parading through the streets of Tokyo on a horse-led carriage was like Hollywood or Disneyland," says Mr Naoki Inose, a writer who has published several books on the imperial family.

Corporate executives, who had hoped that a "Masako boom" would spur Japan's depressed consumer demand, have been more disappointed. Aside from a rise in sales of the somewhat dated Toyota Corolla model driven by Miss Owada, and an upward blip in the popularity of pearls, often worn by the bride-to-be, there seems to be little evidence that the economy is being lifted by a wedding boom.

When the engagement was announced, analysts predicted additional retail spending as large as Y3,300bn (£20bn) - a figure based on the rise in consumer confidence triggered by the 1959 "Michi-boom", when the current emperor married. At the time, Japan was beginning its rapid economic growth, and consumers rushed to buy television sets to watch the wedding, boosting sales at electronics makers.

Feminists have meanwhile lamented that the wedding represents a setback for Japanese women. Many argued that Miss Owada, who gave up her fast-track job to marry the prince, symbolised a career woman sacrificing herself for confinement within the home.

Many Japanese men appear threatened by Miss Owada, who represents a new breed of strong Japanese women - she is a graduate of Harvard and Oxford and speaks five languages. "She's stuck-up," remarks a middle-aged office worker. She was recently chided by a weekly magazine for talking too much - 27 seconds more than Prince Naruhito at a press conference.

At the same time, those who hoped that Miss Owada's strong character would lead the royal household to a new era of openness have so far been disappointed. Taken over by imperial banality, Miss Owada now smiles shyly at the cameras and walks behind the prince. Her stodgy frocks have not prompted the fashion boom seen when Prince Charles wed Princess Diana.

In contrast to recent coverage of the British royals, the imperial household agency has set out to control its public image, and media coverage has been superficial and polite. Still, traditionalists are alarmed that the publicity over the wedding is threatening the mystique surrounding the imperial family.

But for nationalists and those who advocate a more prominent imperial family, the wedding is seen as an ideal opportunity to arouse such sentiments among the Japanese. Following criticism from conservative politicians, the imperial household agency was forced to reverse its original decision to leave out from the ceremonies the anthem which accords the emperor godlike status.

The official wedding celebrations, including six banquets over three days and visits to ancestral shrines in eastern Japan, will last till the end of next week. Then the doors of the palace will again be closed and the imperial family will return to its refined confinement.

The princess behind those walls could yet emerge as a force for modernisation, making the imperial family more accessible. She may find it hard to escape the confines of imperial life, having to make do with occasional appearances at state dinners, charity functions and sports tournaments. But among her imperial duties, she will face enormous pressure to succeed in the most important - to produce a son to become the next heir to the Chrysanthemum Throne.

NEWS IN BRIEF

Germans arrest Algerian leader

A LEADER of Algeria's banned Islamic party under sentence of death has been arrested in Germany, Reuter reports from Bonn.

The German Justice Ministry said Mr Rabah Kebir of the Islamic Salvation Front (FIS), who escaped from house arrest in Algeria last year, was detained on Monday on an international arrest warrant issued by an Algiers court. He said a German court must decide whether Mr Kebir could be extradited, an issue made difficult by the death sentence.

Mr Kebir and 25 other men were sentenced to death in their absence last month on charges linked to a bomb explosion at Algiers airport last August which killed nine people and wounded 124, or to groups trying to overthrow the government.

"On principle we do not extradite people to countries where they face the death sentence," the spokesman said. "We may act differently if a foreign government assures us that the death penalty will not be carried out," he added.

Sharif appeals to business

Mr Nawaz Sharif, the Pakistani prime minister, last night appealed to the country's top business leaders to help his government in pressing ahead with its economic development plans, writes Farhan Bokhari in Islamabad.

"The country has to be built by the private sector," Mr Sharif was quoted as saying, in his first meeting with businessmen since a court ruling restored him to office last month. The appeal came before next Monday's annual budget which ends a year with a record high budgetary deficit.

Mr Sharif is believed to be seeking the business community's support to generate more tax revenues. "We are fully supportive of the prime minister and his policies," said Mr Younas Khan, president of Pakistan's Overseas Chamber of Commerce, after the meeting.

It remains unclear whether new taxes can be introduced, especially those which would hit consumers, unless there is a resolution to the country's political upheavals.

Ten-hour blackout points up Indian power problem

By Stefan Wagstyl in New Delhi

THE Indian government has ordered an inquiry into a power failure which has this week left Delhi and much of northern India without electricity for periods of up to 10 hours.

The worst breakdown in seven years left householders sweltering in temperatures of 45 degrees Celsius bereft of light, air conditioning and sometimes water, because pump stations stopped working. Even the power supplies to districts inhabited by politicians and other preferential customers suffered prolonged cuts.

More than 30 trains stopped in northern and eastern India; passengers were left stranded without light, cooling or water. Delhi's international airport was plunged into darkness for two hours.

The failure raises questions about the Indian electricity network's capacity to supply the power the country needs for economic growth. Foreign and domestic companies have frequently cited electricity shortages as a crucial obstacle to investment. The Times of India, the leading English-language newspaper, said yesterday: "The crisis is a measure of the long-standing maladministration and negligence of the country's power sector."

The cuts started on Sunday night after a transmission line in Uttar Pradesh state in northern India overheated. Power which should have been carried by this line surged into other lines causing further failures and breakdowns of power stations and transmission lines. At one point on Sunday night, the authorities were unable to supply electricity even to Mr PV Narasimha Rao, the prime minister, an unprecedented failure given the attention lavished in India on VIPs.

Many people left their homes to sleep on the street. Slum-dwellers, who are given to stealing electricity by suspending wires from overhead power lines and have become accustomed to the comforts of fans and coolers, if not of air-conditioners, are also affected.

The government wants to increase generation capacity of the publicly-owned network in the five years 1992-97 by 30,500MW over the 69,000MW installed by March 1992. But in the past year, less than 1,000MW have come on stream.

As the building of new stations has slowed so has the growth of electricity output, which rose by just 5 per cent in the year to March 1993, compared with an annual average of 9 per cent in the 1980s.

The industry suffers from chronic losses because power is supplied at uneconomic rates to privileged groups such as farmers.

INDIA is to introduce legislation to regulate cable television operators who reach an estimated 5m viewers by distributing overseas satellite broadcasts, Reuter reports from New Delhi.

The government said yesterday the cabinet has approved a bill, to be introduced in the next session of parliament, to register cable operators, prohibit them from violating programme and advertisement codes and make it compulsory to distribute at least one channel of state-run television.

The operators distribute satellite broadcasts such as Hong Kong-based Star TV and US-based Cable News Network and often an extra channel of Hindi language

Strikes loom over Nigerian election

By Paul Adams in Lagos

A FUEL shortage caused by strikes and breakdowns in Nigeria's oil refineries threatens to bring chaos to the main cities and to disrupt presidential elections due on Saturday.

Long queues have been forming outside the few fuel stations in Lagos which have stocks. Refineries are shut, as are all state-owned fuel depots. Private sector depots have a few days' supply at most.

The unions have picked a dangerous week to go on strike. The military government of President Ibrahim Babangida has widespread powers to cancel the election, the first for a decade in Nigeria, if law and order breaks down. Fuel shortages in Lagos a year ago sparked off serious riots.

Even before the strike at the weekend by the two main unions in the Nigerian National Petroleum Corporation (NNPC) and its marketing subsidiary, output at the country's three refineries had been far below capacity for months due to lack of maintenance.

Shortages have affected most of the north and east of the country for several months but spread to Lagos only at the end of last month, when a tanker drivers' strike cut off the supply of fuel and pushed up prices of public transport and foodstuffs by more than 300 per cent.

Inflation is already outstripping earnings and the disintegration of public services is testing the patience of Nigerians anxious not to disrupt the transition to democracy which President Babangida has promised to complete by August 27.

Some 38m Nigerians are registered to vote on Saturday, many of them in their town of origin far from where they live.

Demand for public transport will be exceptional and many people are trying to stockpile fuel for the weekend. A fuel shortage could also affect supplies of ballot papers and staff to run the 106,000 polling booths.

Even at full capacity of about 300,000 barrels a day, Nigeria's refineries are unable to meet domestic demand, as about a third of output is smuggled to neighbouring states where subsidies are much much lower.

NZ bank governor promises firm line

By Terry Hall in Wellington

THE New Zealand Reserve Bank is to maintain its monetary policy despite some inflationary risks, Mr Don Brash, the central bank's governor, said yesterday.

Mr Brash, whose task is to control the country's monetary policy in the interests of maintaining low inflation, was reporting for the first time under his "targets agreement" with the minister of finance, set when he be renegotiated his five-year contract last December. The Bank is otherwise independent of the government.

Releasing the Bank's six-monthly policy statement, he said the "balance of risks suggests the possibility of rather higher inflation is a real one". He said the Bank would not hesitate to tighten monetary policy if it became clear the inflation target was being threatened.

He said the country was on a higher inflation track than previously, although rises were still comfortably with the Bank's target of nil to 2 per cent.

The Bank's forecasts show that adjusting for one-off factors, such as changes in government charges and in interest rates, underlying inflation was estimated to have been unchanged at 1.8 per cent for the year to March. Underlying inflation is expected to fall to 1.6 per cent in the year to the end of this month.

The Bank said its actions to tighten monetary policy last December, which led to a rise in the New Zealand dollar, had had the intended result of keeping inflation below 2 per cent.

As a result the currency as measured against the trade weighted index was now considerably higher than in late December and early January, and both short and long term interest and bond rates had fallen back to the levels of last November.

The bank said its forecasts assumed economic growth of 3 per cent. Underlying inflation was expected to ease to around 1.2 per cent for the year to December 1994.

The forecast included an assumption that rising timber prices would lead to an 0.6 point rise in inflation.

Mr Brash said the rising domestic prices of timber represented the "first significant shock" for the bank's regulatory powers.

Wanted: revenue, electricity and IMF deal

Jose Galang on a Philippines economy of deficits, 'brown-outs' and loan delay fears

NEARLY a year after a surge in optimism that followed an orderly transfer of political power, the Philippine economy appears headed for hard times again.

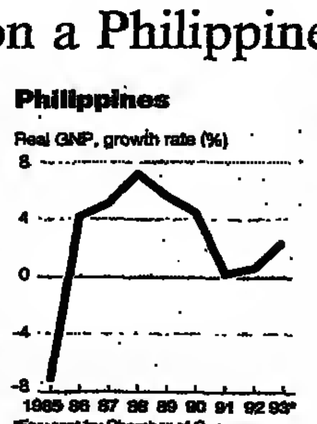
Gross National Product growth in the first three months of the year, according to preliminary government estimates, was only 0.9 per cent, down from the 2.2 per cent rise in the same period last year.

The slight rise was registered only with the help of the sustained inflows of foreign exchange from the 2m Filipinos working abroad, according to government data.

Without a dramatic improvement in the power supply, which was blamed for a nearly 3 per cent contraction in industrial activity during the first quarter compared with the first quarter of the previous year, the GNP growth target of 3.5 per cent this year is unlikely to be met. The Philippines Chamber of Commerce and Industry is forecasting between 2 and 2.5 per cent.

Philippines

Real GNP, growth rate (%)



*Forecast by Chamber of Commerce and Industry

Source: Central Bank of Philippines

Mr Cielito Habito, the socio-economic planning secretary, recently insisted that the growth goal could still be achieved. It will, however, require some harsh policy measures to raise government revenues.

A number of tax proposals are being held up in Congress, putting under a cloud funding for government infrastructure projects designed to perk up domestic demand. Congress begins a two-month recess tomorrow, although President Fidel Ramos has called for a special session to consider the tax bills.

One is aimed at introducing quarterly collection of value added tax instead of annual and a second seeks an excise tax system on cigarettes and beer. Both bills are aimed at improving revenue collection.

Mr Habito has indicated that if Congress fails to pass the bills, the government may again have to impose an import levy and possibly also raise tax rates on fuel products. The last time the government imposed an import levy - in 1990, also because of stalled tax bills in Congress - the local manufacturing sector, which remains import-dependant, suffered a slump.

Government revenues at the end of April were nearly 14 per cent below target, with the shortfall of 13.7bn pesos (£338m) leaving little room for manoeuvre for the rest of the year.

The shortfall may have already put in jeopardy the Philippines' negotiations with the International Monetary Fund for a medium-term programme. The country is seeking $800m under an IMF extended fund facility to support its "growth-oriented" programme over the next three years. Previous programmes involved austerity-type belt-tightening out or stabilisation measures. The one being sought now places the emphasis on export-led growth and capital spending on infrastructure projects.

The negotiations, deadlocked over IMF concerns about Manila's ability to raise targeted revenues, now seems certain to be delayed until September, if not longer, not least because Mr Ramon del Rosario, Mr Ramos's finance secretary nominee, has just been rejected by the congressional commission on appointments.

Some commission members charged that Mr del Rosario had "always followed the IMF". Several leaders in the legislature have over the past few years been critical of the big budgetary allocations for repayment of debts incurred mostly during the administration of the late Mr Ferdinand Marcos, deposed in 1986.

The government said the family of Mr del Rosario, a former banker, has also been accused by his critics of benefiting from certain policies implemented by the Ramos government.

Another reason why the IMF negotiations are likely to be delayed is that Mr Jose Cuisia, the central bank governor, confirmed this week that he would be retiring at the end of June.

However, this week Congress passed a law, as required if the IMF deal is to be concluded, replacing the central bank with a new Singapore-style central monetary authority which will be more independent and relieved of its present responsibility for financing the fiscal deficit.

Should the Philippines fail to secure the IMF programme, which would have followed the last 18-month standby facility that expired last March, the country may have to go to its commercial bank creditors for new financing. It will also have to pay up some $1bn in official credits, which would be likely to pull down its international reserves, now at some $6bn.

Meanwhile, energy officials acknowledge that the end to the debilitating power cuts may not come before December, despite the commissioning of six gas-turbine plants in the second and third quarters of the year.

Commercial establishments and residential areas in metropolitan Manila and the rest of the main Luzon island currently take turns being hit by power cut-offs, or "brown-outs", of about six to eight hours a day.

The brown-outs have scared away potential investors to the Philippines, according to diplomats. While the improved political conditions and the ongoing economic reforms appeared to have gained the interest of some foreign investors, many would rather wait until the power-shortage problem has been resolved.

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NEWS: WORLD TRADE

Miyazawa responds to US demands for commitment on reducing current account surplus

Japan condemns numerical trade targets

By Michiyo Nakamoto in Tokyo

JAPAN yesterday stressed its opposition to US demands that specific numerical targets be set to reduce Japan's massive current account surplus and further open the country's markets to foreign goods.

Prime Minister Kiichi Miyazawa told the House of Councillors' budget committee that it would be unrealistic for Japan to make specific numerical commitments on its surplus or import ratio. No one could control GDP figures or the course of imports and exports in a free trade system, he said.

Mr Kabun Muto, foreign minister, added his voice to a growing chorus of opposition to the US stance, saying Japan would never agree to setting specific measurable targets.

Mr Miyazawa and Mr Muto were responding to US demands that Japan reduce its current account surplus from 3.2 per cent of GDP to 1-2 per cent and increase its ratio of imports to about 3.3 per cent of GDP from a current 2.5 per cent.

The US administration has said it would seek such numerical targets in bilateral trade talks with Japan, scheduled to begin on Friday in Washington, in which the two sides are expected to negotiate a new framework for discussing trade issues.

The talks will be the first formal working-level contact between the two sides since agreement to set up a new framework for trade relations was reached between Mr Miyazawa and President Bill Clinton in April.

The two countries aim to work out a broad outline of the trade framework before the July summit in Tokyo of Group of Seven industrial countries.

However, Japan and the US remain deeply divided on how issues should be resolved. Washington appears not to have changed its stance that numerical targets be adopted despite clear resistance from the Japanese side, and despite the fact that both countries last week endorsed the communiqué from the annual OECD ministerial meeting in Paris promising "to make no recourse to initiatives and arrangements which are inconsistent with the principles of free trade, and undermine the multilateral system".

As the US set out its demands, officials at the Japanese Ministry of International Trade and Industry insisted yesterday the trade talks needed to be a two-way exercise with the US doing its share by trimming its budget deficit.

The request on numerical targets has prompted calls in Tokyo that the US should also produce figures showing it is reducing the budget deficit. However, even were the US to do so this would not mean Japan agreeing to numerical targets, a Miti official said. Japanese trade officials also emphasised that the bilateral talks should be restricted to issues within the government's reach, implying that the setting of numerical targets, under a free trade system, were not.

However, recent comments indicate the Japanese side is open to suggestions on how to resolve bilateral trade issues as long as the US does not threaten unilateral sanctions or insist on setting quantitative targets.

Japan is expected to propose that the two countries co-operate on environmental issues, transportation technology, telecommunications, and labour and human resources development.

Hyundai Motor to convert Canadian plant

By Bernard Simon in Toronto

HYUNDAI Motor of South Korea is to close its assembly line at Bromont, Quebec, for two years while it converts the underused plant to produce a new generation of its Elantra compact sedan.

When it reopens in July 1995 the Bromont factory, which is Hyundai's only assembly plant outside South Korea, will export Elantras to Hyundai's fast-growing European markets and North America.

Hyundai sold 110,000 cars in 13 European countries last year, making Europe its biggest export market. Mr John Wright, vice-president of Hyundai's Canadian subsidiary, said yesterday the Elantra had "greater potential for future worldwide sales" than the mid-sized Sonata, which is now produced at Bromont.

Production of Sonatas will be shifted to a factory in Ulsan, South Korea.

The conversion of the Bromont plant is expected to cost C$66.1m (£34m), with full production of 100,000 vehicles a year targeted for 1997. The company is negotiating a financial assistance package from the Canadian and Quebec governments.

The Bromont factory has been running far below capacity since it was built in the late 1980s.

The original plan was that the plant would capitalise on explosive demand for Hyundai cars in North America when they were introduced in Canada in 1984 and in the US two years later.

Combined sales in the two countries reached a peak of 314,300 in 1987, when the sub-compact Pony was Canada's best-selling imported car.

But buyers' enthusiasm for the low prices of Hyundai models gave way to disappointment at their poor quality. Sales tumbled further during the recession, and totalled 49,600 in the first five months of this year.

The Bromont plant now has an annual capacity of 100,000 units, but turned out only 14,700 Sonatas last year.

Sumed pipeline plans expansion

THE Egypt-based Sumed oil pipeline plans to expand its capacity to pump Gulf oil to Mediterranean markets and increase its market share there, Reuter reports from Cairo.

Mr Mohammed Mae'bed, chairman, said three pumps would begin operating at a booster station south of Cairo in March 1994, taking the pipeline's capacity to about 2.3m barrels of oil per day (bpd) from 1.6m bpd now. The $120m (£77.9m) expansion had originally been scheduled to finish in September this year.

But oil traders said the increase could aggravate the pipeline's problem of congestion as plans to develop storage at the pipeline's Red Sea and Mediterranean terminals were at an earlier stage.

"The problem area is discharging at Ain Sukhna [in the Red Sea]," one trader said. "People are fed up with the delays, and boosting the pumping capacity and the through-put without corresponding storage isn't going to solve that. In the short term, it's not a good thing."

Sumed officials say the pipeline is already operating above its nominal capacity of 80m tonnes per year but there are frequent snarl-ups at Ain Sukhna. In November last year tankers were waiting up to 10 days to unload and the delays pushed the price of Iranian crudes up on spot markets.

The 320km pipeline, set up in 1974, carries mainly Saudi and Iranian crudes.

Mr Mae'bed said Sumed was considering adding another 4.5m barrels storage to its current 2.4m barrels at the two terminals. The company's board would discuss this month a feasibility study by Bechtel Corp of the US.

Peter Sutherland: no one has questioned his abilities

Sutherland on course to be new Gatt chief

By Frances Williams in Geneva

MR Peter Sutherland, former EC competition commissioner, still looks likely to be appointed director-general of the General Agreement on Tariffs and Trade when Gatt members meet this afternoon in special session.

This is despite a vigorous Latin American challenge to his candidacy to succeed Mr Arthur Dunkel, director-general since 1980, who retires at the end of this month.

Some Latin American countries indicated yesterday they were preparing to join a consensus in Mr Sutherland's favour. This remains contingent on "satisfactory understandings" with other Gatt members on how the world trade body should be run.

The group has already made clear its interest in the third deputy director-general post likely to be created at today's meeting. Trade officials have informally discussed a "package" which would give Mr Sutherland deputies from the US, India and Latin America.

Japan also has a candidate in mind for the third deputy job but this is unlikely to prove acceptable to developing countries. Deputy appointments are made by the director-general "in consultation with" Gatt members.

Latin American officials say their motives in backing alternative candidates to Mr Sutherland were never to force a split in the 111-nation organisation, but to open up the succession debate and serve notice that, in future, the selection process and Gatt itself will have to be more democratic. Late last week, Mr Luis Fernando Jaramillo of Colombia withdrew his name, leaving Uruguay's veteran trade negotiator, Mr Julio Lacarte-Muro, as Mr Sutherland's sole rival.

No one has questioned Mr Sutherland's abilities – "excellent" and "impressive" seem to be the most commonly-employed adjectives to describe the 47-year-old Irish lawyer, who is currently chairman of Allied Irish Banks. But many developing countries were offended by the assumption that, once nominated by the Community and backed by the US, Mr Sutherland was a shoe-in for Gatt's top job.

For the Latin Americans there was the further indignity that their two nominees, first proposed when Mr Sutherland was reportedly reluctant to stand, appeared to be discarded without a hearing.

Latin American and other developing countries have argued recently for a more open process of selection than the traditional Gatt procedure of consensus-building through informal consultations. These, by common consent, have been conducted "impeccably" by Mr Balkrishan Zutshi, India's Gatt ambassador and current chairman of Gatt's contracting parties (members).

In the end, Mr Lacarte failed to get much support from outside Latin America. His supporters are disappointed but not downhearted. "We've helped the process to be more transparent and more multilateral," says one ambassador.

As a direct result, he says, Mr Sutherland has been twice to Geneva to meet Gatt ambassadors – though on EC advice he turned down an invitation to appear before Gatt's informal developing country group. Community officials argued this could undermine Mr Zutshi's efforts at consensus-building and encourage politicisation of Gatt, hitherto remarkably free from North-South conflict.

The Latin Americans say they wanted to make a broader point about the conduct of Gatt affairs and the hoped-for conclusion this year of the Uruguay Round of trade liberalisation talks. "It's a signal that developing countries, and Latin America in particular, will not just accept anything that's put on the table," says a senior negotiator.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for June 15 to July 14 (May 15 to June 14 in brackets)

D-Mark	7.51 (7.47)
Ecu	8.00 (8.07)
French franc	7.97 (8.24)
Guilder	
up to 5 years	7.30 (7.30)
5 to 8.5 years	7.55 (7.50)
more than 8.5 years	8.05 (8.00)
Italian lira	11.7 (12.4)
Yen	5.20 (4.90)
Peseta	12.10 (12.7)
Sterling	8.20 (7.9)
Swiss franc	5.82 (5.88)
US dollar for credits	
up to 5 years	5.40 (5.30)
5 to 8.5 years	6.20 (6.13)
more than 8.5 years	6.66 (6.59)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries.

Between January 15 and July 14, the SDR-based rate will be 7.55 per cent. It replaces the previous rate of 8.1 per cent. The SDR-based rate will again change on July 15.

Senator's dogged opposition may force change

Clinton poised to simplify energy tax

By George Graham in Washington

PRESIDENT Bill Clinton is on the verge of abandoning his plan to tax the thermal content of fuels, and is instead negotiating for a simpler energy tax calculated on price.

Mr Lloyd Bentsen, Treasury secretary, has been put in charge of squeezing the budget package past his former colleagues in the Senate, and is now negotiating a compromise bill that would reduce the impact of the proposed energy tax by about a third and make offsetting cuts in spending, principally on medical benefits for the elderly.

Although the White House insists Mr Clinton still wants "a broad-based energy tax, one that is fair and one that encourages conservation," he appears to have given up his plan to tax most fuels at 26.8 cents per million British thermal units, with an additional 34.2 cents per million BTUs levied on oil products.

Faced by the dogged opposition of Senator David Boren, from the oil-producing state of Oklahoma, to the BTU tax the administration is now considering an *ad valorem* tax.

This would simplify collection but would emasculate the intended environmental benefits of the energy tax which, as originally designed, would have favoured cleaner fuels such as natural gas over dirtier coal or petroleum products.

However, the BTU tax had already been so extensively remodelled by concessions to farm and industry lobbies that its environmental benefits would have been muted.

The administration has been working with Senate Democratic leaders on plans to cut about $20bn (£12.9bn) from the $72bn it originally expected to collect over five years through the energy tax. Senators also want to postpone implementation of the higher income tax rates to be applied to upper-income taxpayers from January 1 to July 1, at a revenue cost of about $9bn.

To offset this the administration and Senate Democratic leaders are considering reducing the earned income tax credit proposed for low-income working families, which was partly intended to compensate for the impact of the energy tax, and cuts in health benefits under the Medicare programme for the elderly.

White House officials had been counting on Medicare savings to pay for some of the expected cost of their health-care reform plan.

It is possible, however, that Senator Patrick Moynihan, Senate finance committee chairman, may have deliberately exaggerated the size of likely Medicare cuts to excite the powerful pensioners' lobby and step up pressure on rebellious Democrats like Mr Boren, who is the key swing vote on the committee where Democrats hold an 11:9 majority.

Mr Clinton has limited leeway in his search for a compromise: nothing he offers will gain a single Republican vote in the Senate, while concessions to win over one or two right-wing Democrats could cost him votes among disgruntled left wingers in the House.

AN investigation into links between the Mexican police and drug traffickers, begun by Mr Jorge Carpizo, the attorney-general (pictured above at a press conference), has taken a new turn with the charging of six judicial policemen, writes Lucy Conger in Mexico City.

The six have been charged with protecting the leader of the Sinaloa cartel, allegedly responsible for a shoot-out with rivals at Guadalajara airport on May 24 which left a Roman Catholic cardinal and six other people dead.

The detainees, also charged with criminal association and drug-related crimes, include two federal judicial police commanders and the director-general of the Jalisco state judicial police, based in Guadalajara.

Mr Carpizo has sent shockwaves through the security forces in the five months since assuming his post, and is investigating more than 200 federal judicial policemen suspected of having links to the drugs trade.

Mounting criticism of the investigation prompted Mr Carpizo on Monday to offer his resignation.

Porous Haiti embargo hits the poor most

William Spindler and Jurek Martin on 'dilatory' moves

IN THE fashionable shops of Petionville, close to Port-au-Prince, Haiti's capital, there are few signs that the country is under an economic embargo. Everything from French wines to four-wheel-drive vehicles can be purchased – at a price.

It is the poor in Haiti, the most impoverished nation in the Caribbean, who are feeling the effects of an embargo imposed by the Organisation of American States in 1991. The cost of their essential goods has gone up as a result and most aid projects have been suspended.

Even the escape routes by sea to the US have dwindled in the face of US coast guard patrols.

The question of tightening the economic screws on the Haitian regime to persuade it to allow the return of the ousted president, Fr Jean-Bertrand Aristide, continues to divide the outside world. Mr Dante Caputo, the former Argentine foreign minister and the envoy appointed by the UN and the OAS, said recently that it was "time to stop dilatory manoeuvres".

Last Friday, in a tacit recognition that diplomacy had so far achieved little, the US increased the pressure, freezing the US assets of 83 individuals and 35 Haitian institutions considered to support the current regime in Port-au-Prince, including those of Mr Marc Bazin, the prime minister installed by the military and who resigned yesterday. Individuals and their families will be denied US visas and officials in Washington freely speculated that an oil embargo *might be next.*

This action followed the breakdown of Mr Caputo's negotiations over the inability of all parties, including Fr Aristide, to agree on the deployment of a 500-strong UN police force to ensure that his return is not accompanied by civil unrest.

Nevertheless the latest US moves have been criticised as too gradualist. An oil embargo and the suspension of regular air travel are frequently advanced as the sort of sanctions which, short of military intervention, are more likely to force a settlement.

The congressional black caucus has been among those pressing the administration of President Bill Clinton for a tougher stand than existing policies, which resemble in many ways those of President George Bush.

As it is, the effect of economic sanctions on Haiti's élite, parties to the negotiations, have not been great. Trade with Europe, which is unaffected by the embargo, has increased.

Ships from the Dutch dependencies of Aruba and Curaçao regularly bring the imported goods which Haiti's rich classes crave.

HAITIAN Prime Minister Marc Bazin yesterday announced his resignation because of threats which had prevented him appointing four new cabinet members, Reuter reports from Port-au-Prince.

He had been under increasing political pressure since Friday, when he tried to dismiss four ministers. The four, some of whom have links to the powerful police chief of Port-au-Prince, had refused to step down.

There are easier ways to circumvent the embargo, however. The land border with the Dominican Republic, which occupies the eastern part of the island, is only a half-an-hour drive from Port-au-Prince. Indeed, one of the few projects undertaken by the military-backed government has been the completion of a paved road on which lorries bring goods from the republic.

A mission from the United Nations Development Programme, the World Bank, the International Monetary Fund and other financial institutions has been in Haiti for an economic diagnosis.

Mr Jose Luis Larrabure, the UNDP's resident representative, said the international community was worried about the economic crisis a future democratic government would inherit and emphasis was being given to planning projects that could be put into effect rapidly.

The renewed talk of sanctions against the élite has been received with scepticism in Haiti, after similar threats in the past failed to materialise.

Mixed US signals have not helped, with Washington's rhetoric calling for the restoration of Fr Aristide sometimes at odds with the views of US embassy officials in Haiti who are opposed to his return on the grounds that his brief period in office proved he was *no democrat.*

Sources close to Fr Aristide have warned that a civil war may be imminent and, even before his resignation, little credibility was accorded Mr Bazin's offer to convene a national reconciliation conference.

Meanwhile, the work of the international civilian mission of the OAS and the UN, which has been deployed to monitor human rights violations, will become more difficult. "The perceived weakness of the international community will encourage attempts to neutralise or render ineffective our work," said the executive director of the mission, Mr Colin Granderson.

NEWS IN BRIEF

Freeman agrees to pay $1.1m to SEC

MR ROBERT FREEMAN, the former partner at Wall Street securities house Goldman Sachs who served a prison term in 1990 and paid a $1m fine after pleading guilty to insider trading, has settled a civil lawsuit over similar charges which have been filed by the Securities and Exchange Commission, writes Patrick Harverson from New York.

Under the terms of the settlement, Mr Freeman, who ran Goldman's arbitrage department in the 1980s, agreed to pay the SEC $1.1m and accept a three-year ban from the securities industry for trading inside information on the planned leveraged buyout of the Beatrice *Companies* foods group.

Bolivia deficit highest for decade

Bolivia's trade deficit was far greater last year than feared, rising to its highest level in more than a decade and damping hopes of growth, according to central bank figures, Christina Lamb writes from La Paz. The deficit reached $561m in 1992, way above the original estimate of $410m. Imports reached a record $1.169bn while exports fell from $760m to $608m. This was mainly because of a 50 per cent drop in the value of hydrocarbon exports due to the ending of a fixed price agreement on gas sales to Argentina.

Brazil steel group sale postponed

The sale of Cosipa, Brazil's third largest steel firm, has been postponed from July 13 to August 4, Bill Hinchberger writes from Sao Paulo. The delay will allow the government time to cut Cosipa's debt and restructure the sell-off so that it retains a number of non-voting shares.

The Rio de Janeiro Stock Exchange has also cancelled the sale of the government's 35 per cent share in Petrocoque, a petrochemical company. Its three private sector partners declined to raise their participation, and no other bidders were found for the shares, valued at $20m. The Petrocoque shares will now be sold along with Petroquimica Uniao (PQU), the anchor of the Sao Paulo petrochemical *complex*, on August 20.

New Bank of Jamaica governor

Mr Jacques Bussieres, former governor of the Central Bank of Zambia, has been named as new governor of the Bank of *Jamaica* to succeed Mr Roderick Rainford, whose resignation will become effective on Saturday, according to Mr P J Patterson, Jamaica's prime minister.

Italy widens its inquiry into aviation

By Robert Graham in Rome

ROME magistrates yesterday disclosed that they had opened an important new line of inquiry covering the aerospace sector and business and aviation contracts.

The investigation centres on the formation of the aerospace group Alenia through the 1990 merger of Italy's state controlled defence and electronics groups, Aeritalia and Selenia.

The magistrates said three senior executives involved in the deal had been advised they were under investigation for alleged falsification of accounts. The executives included Mr Fausto Cereti, former chief executive of Aeritalia and Mr Enrico Gimelli, his former number in Selenia, both now joint managers of Alenia. The third person was Mr Fabiano Fabiani, the head of Finmeccanica, the chief industrial arm of the state holding company, Iri, which controlled the merging groups. Mr Fabiani is one of the key managers in the public sector and Finmeccanica is one of the two central pillars of IRI's operations.

This is the first time Finmeccanica has become directly involved in investigations by magistrates. Until now investigations into alleged corruption have stopped at a subsidiary level, as in the case of its engineering and transportation arm, Ansaldo.

The merger was part of a rationalisation of assets and operations held under Iri's umbrella. Selenia was previously controlled by Stet, the state telecommunications holding, and it moved under the wing of Finmeccanica to shape up to international competition in the nineties.

According to usually reliable leaks from the magistrates, they are examining the valuations made of the two groups prior to the merger.

During the course of the magistrates' investigation they are also understood to have branched out to examine certain aspects of Alitalia's operations purchasing and leasing aircraft. This led on Monday to Mr Giovanni Bisignani, the Alitalia chief executive, being advised he was under investigation for alleged falsification of accounts. Yesterday, Alitalia issued a strong denial, pointing out that the operations in question represented normal international practice.

Also in the aviation field, it was reported yesterday that police had seized documentation relating to airport construction work over the past decade.

In another development yesterday, Mr Bettino Craxi, the former Socialist leader, was informed he was wanted for questioning for allegedly receiving L360m (£160,000) passed on via intermediaries from his long-standing adversary Olivetti, for the supply of information equipment to the justice ministry.

Italian industry continues job losses

By Robert Graham in Rome

UNEMPLOYMENT in Italian industry continues to rise, especially in companies employing more than 500 persons.

According to the latest figures from Istat, the national statistics institute, the level of employment in large companies fell by 6.5 per cent in the first three months of the year compared with the same period last year. During 1992, companies employing more than 500 persons lost on average 5.5 per cent of their workforce, equivalent to 65,000 jobs.

The speed of job losses increased during the latter half of 1992 and appears to show no sign of slowing down. Overall 200,000 jobs were lost in industry in 1992.

Throughout the economy as a whole, the total out of work is 10.5 per cent.

But the true picture of unemployment in industry is masked by extensive use of the government-financed system of temporary lay-offs which extends over a two-year period.

The unions, involved in delicate tripartite talks with the government and the employers on a wage pact, fear the consequences of spending cuts on unemployment benefits.

In particular, they are concerned that a number of temporary lay-off schemes are now reaching the end of their maximum funding by the government. With the recession refusing to bottom out, job losses could begin to pose a problem for the government.

Employees of the Bank of France demonstrate against the plans of the new right-wing government in the streets of Paris yesterday

STRIKE AT BANK OF FRANCE OVER INDEPENDENCE

THOUSANDS of employees at the Bank of France yesterday went on strike in protest against the new centre-right government's plans to make the central bank independent, writes Alice Rawsthorn in Paris.

The workers staged demonstrations outside local Bank of France buildings in the provinces and held a protest march through the streets of Paris during a parliamentary debate on the issue. They called on the government to give guarantees to protect jobs after the bank becomes independent.

Union sources said that 80 per cent of the central bank's 17,000 employees had heeded the strike call. However, a Bank of France spokesman said that main services had been unaffected by the strike action.

Meanwhile, Mr Jean-Pierre Chevènement, former socialist minister and one of the most outspoken members of the opposition, claimed in parliament that an independent central bank would give Germany's Bundesbank undue influence over the French economy.

"Never before has a great state institution been defended with such indifference," he said.

Swiss ease rules on finance houses

THE Swiss authorities have eased conditions under which foreign controlled securities houses can participate in Swiss franc bond underwriting syndicates, apparently with a view to stemming any further contraction of Japanese securities company offices in Zürich, writes Ian Rodger in Zürich.

Under a 1989 order, all Swiss-domiciled securities companies wishing to participate in syndicates had to convert themselves into banks by the end of last year.

So far, 30 Japanese houses have become banks, but eight remain as finance houses.

Last year, three Japanese securities companies closed their Zürich offices partly in response to troubles at home, partly because a much reduced level of Japan-related business in Switzerland undermined the case for converting themselves into banks.

However, in the meantime, the Swiss government opened syndicate membership to all European-domiciled banks. Since April, only the lead manager of a syndicate has to be Swiss-based. That left foreign controlled securities houses in Switzerland at a disadvantage to their affiliated banks elsewhere in Europe.

The Swiss financial authorities, meeting their Japanese counterparts, acknowledged the anomaly and agreed to be "very flexible".

France's wartime police chief shot

A LONE gunman, described as a failed author desperate for world fame, yesterday killed France's wartime Vichy regime police chief, Mr René Bousquet, who deported thousands of French Jews to Nazi death camps in 1942, Reuter reports from Paris.

Mr Bousquet, a senior banker after the war who lived untroubled until 1979 when documents about his past began to emerge, was shot at his home in the elegant 16th district of Paris.

Mr Bousquet, aged 84, was charged with crimes against humanity in 1991 for the deportation of Jewish children to the camps. The court of appeal had been due to decide within weeks whether to send him for trial.

French Jewish leaders who campaigned to bring him to justice condemned the assassination, saying it deprived France of a chance to establish the truth about its collaborationist past.

Norwegian vote lacks support

Norway's minority Labour government yesterday escaped a vote of no confidence after the opposition Conservative and right-wing Progress parties failed to gain majority backing in parliament for the proposal, Karen Fossli reports from Oslo. The proposed vote was aimed at toppling Mr Sigbjoern Johnsen, the finance minister, for his handling of the Uni Storebrand affair, in which the company, Norway's biggest insurer, last year collapsed under the weight of its short-term debt used to finance a failed raid on Skandia Forsakrings, its Swedish rival.

Minister sacked over sick joke

Mr Carlos Borrego, Portugal's environment minister, was dismissed yesterday by Mr Anibal Cavaco Silva, the prime minister, after making a sick joke about patients who had died under kidney dialysis treatment, Peter Wise reports from Lisbon. At least 16 people have died as result of dialysis treatment in a hospital in Evora in southern Portugal because aluminium levels in the water were found to be abnormally high. The case has caused a public outcry.

OECD warning for Greece

Greece is on course for economic recovery but must stick to its unpopular austerity policies if it is to succeed, according to excerpts from a report by the Organisation for Economic Co-operation and Development, Reuter reports from Athens. Excerpts released by the economics ministry cautioned the conservative government against relaxing its strict policies ahead of elections due by next April.

Whale before 'chicken'?

Norway refuses to be cowed, write **Hugh Carnegy** and **Karen Fossli**

AMONG the many angry, often abusive, letters that Mrs Gro Harlem Brundtland, the Norwegian prime minister, has received since she announced that Norway would resume commercial whaling is a studiously polite protest from an Englishman in Bristol.

His letter tells of how he had grown to admire Mrs Brundtland's impresaive record on world environmental issues, but then expresses his deep disenchantment at the decision to defy the eight-year-old ban on commercial whale catching by the International Whaling Commission.

The whaling issua – the whalers set to sea yesterday to resume hunting, amid fears of sabotage by green activists – has brought Norway unaccustomed international notoriety. Not the least effect of this has been a sharp diminution of Mrs Brundtland's public image as a champion of green issues. It comes on top of growing tension between Norway and the European Community as Oslo approaches tha key phase of negotiations on its application for EC membership.

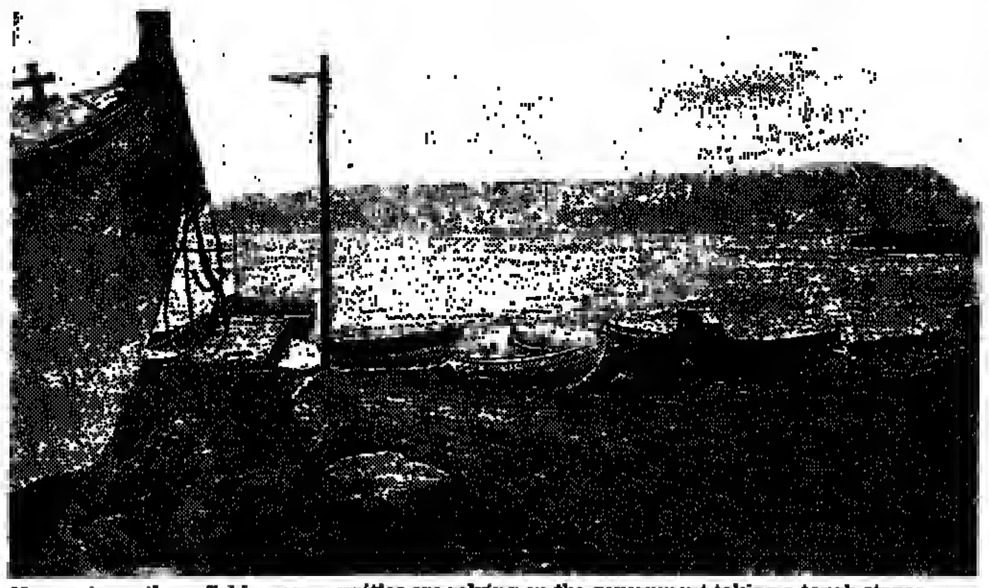
But Mrs Brundtland's government has not stumbled blindly into this predicament. Her posture on whaling and the EC are part of a strategy calculated to carry her minority Labour administration safely over the twin hurdles of a difficult general election in September and persistent public hostility to the EC which could result in rejection of membership in a referendum that must precede accession.

In Norway, there is broad acceptance of Mrs Brundtland's argument that the decision to allow limited hunting of minke whales falls within agreements on responsible marine resource management reached at the Rio environmental summit last year. The IWC scientific committee'a opinion that the minke whale is not an endangered species also carries great weight in Norway.

The business community is worried that the economic damage from international boycotts of Norwegian products would far outweigh the marginal benefits of renewed whaling to the northern fishing communities.

But officials close to Mrs Brundtland say it would have been politically risky to have bowed to international pressure on the issue, on which she enjoys the full backing of the Storting (parliament). One official said that if the government had postponed the decision "we would have been depicted as chickens".

On the face of it, the whaling issue is not linked to the negotiations on EC membership, but the two questions have collided. Brussels has refused calls by Oslo for the minke whale to be removed from the EC's list of endangered species and the European parliament has adopted a resolution saying whaling is incompatible with Community membership.


Norway's northern fishing communities are relying on the government taking a tough stance

This threatens to complicate an already delicate negotiating process.

Officials in Oslo bristle over what they regard as a near chronic lack of understanding in Brussels of the sensitivities involved in trying to persuade the Norwegian electorate of the benefits of membership. A recent case was a move by Brussels to introduce an oil and gas licensing directive that would weaken Norway's ability, once in the EC, to decide its own energy policy.

Mrs Brnndtland raacted furiously, comparing the draft directive to a decision by the EC to adopt a common fisheries policy in 1972 just before Norway voted in a previous referendum on membership. The decision was widely blamed for tipping the vote against membership. "When we first heard abont the oil directive, we almost didn't believe it," said one official.

Oslo has been criticised for adopting an attitude that it is the EC which should adapt itself to Norway, not vice versa. But with polls showing opposition to membership growing to 51 per cent and several opposition parties gearing up to fight the September election on an anti-EC ticket, Mrs Brundtland clearly believes she will win neither the election nor a second EC poll without adopting a tough stance.

Fishing makes a small contribution to Norway'a economy, while energy accounts for about 15 per cent of GDP. But the official said they accounted together for 60 per cent of the country's "political GDP".

Mrs Brundtland has given a virtual veto on the EC issue to her fishing minister, Mr Jan Henry T. Olsen, who has an anti-EC record. Norway is fighting to retain tha right to determine its own fishing policy and not be ruled by the EC's fisheries policy. The positive result of the Danish referendum on May 18 gave some encouragement to Oslo that it may be able to turn the tide of public opinion in Norway. But of the four countries of the European Free Trade Association seeking membership in 1995 – tha others are Austria, Finland and Sweden – Norway undoubtedly remains the toughest nut to crack. This will continue to be reflected in the public stance of the government in the months to come.

EC and E Europe progress

By Lionel Barber in Luxembourg

EC foreign ministers yesterday reached broad agreement on measures to accelerate the political and economic integration of six former communist countries in Eastern Europe into the EC.

The package includes faster than expected dismantling of tariff barriers in footwear, steel, textiles, cars and other industrial goods. It also holds out the prospect of future EC membership, without offering a firm date.

The new measures cover Poland, the Czech Republic, Slovakia, Hungary, Bulgaria and Romania, all of whom have association agreements with the EC. These agreements offer preferential trade treatment. A free-trade axis built around the UK, Germany, the Netherlands, Denmark and, surprisingly, Spain pushed through the package which represents a big political success for EC commissioners Sir Leon Brittan and Mr Hans van den Broek.

Twelve agree plan for improved maritime safety

By David Gardner in Luxembourg

THE European Community yesterday agreed a programme to improve safety at sea, following a spate of oil tanker accidents in EC waters.

The European Commission is to introduce legislation within six months to enforce minimum standards on ship maintenance and inspection, and training of crews, "with the objective of removing all substandard ships from Community waters".

EC transport ministers, meeting in Luxembourg yesterday, stopped short of banning tankers from waters near environmentally sensitive areas, but proposed that member states identify such nature reserves and put forward measures to the International Maritime Organisation (IMO) to protect them. IMO standards will be the basis for the safety measures.

Some member states are expected to go further than this. Irish officials said last night that Ireland planned a 20-mile exclusion zone of its coast for oil tankers and vessels carrying dangerous waste that were in transit through its waters.

Among the measures planned are:

- Common criteria for more thorough port inspection of ships, including criteria for detaining or refusing access to vessels;
- Common standards for the classification societies which guarantee seaworthiness;
- Minimum standards of training for crews based on IMO rules for tankers;
- Better reporting systems for vessels carrying dangerous or polluting goods.

The transport ministers also edged closer to a deal on road cabotage, giving road hauliers the right to ply for trade inside EC countries other than their own. A new attempt to get a breakthrough will be made at a special ministerial meeting on June 19.

Croats flee Moslem assault on Travnik

By John Fullerton of Reuters in Travnik, Bosnia

HUNDREDS OF terrified Croat refugees fled Travnik yesterday as Croat forces hurled mortar and shell fire at positions occupied by Moslem fighters who have seized most of the central Bosnian town.

The battle for Travnik has turned into a rout for Croats who earlier were allied with Moslems against Serbs in Bosnia's civil war but are now fighting each other for territory.

Separately, Reuters reported UN military forces in Vitez saying British peacekeepers had witnessed Moslem soldiers shooting Croat civilians in cold blood. The incidents occurred in Croat villages seized by mainly Moslem Bosnian forces in an offensive north-east of Travnik.

British soldiers managed to prevent about 30 Moslem fighters from gunning down some 170 civilians in the area of Guca Gora, the sources said.

"The British told the soldiers to lay down their arms and gathered the civilians into a church and contacted the United Nations High Commissioner for Refugees to evacuate them," e source said.

The UN troops saw civilians shot as Moslem soldiers fought their way from house to house, the sources said, identifying at least five Croat villages "cleansed" of Croats by advancing Moslem forces.

The battle for Travnik was over, the sources said.

Earlier Mr Mate Boban, the Bosnian Croat leader, accused Moslems of executing Croat prisoners in Travnik, although there was no independent confirmation of the claim.

A spokesman for the Croatian Defence Force (HVO) admitted that around 1,000 of its soldiers who surrendered to nearby Serb forces on Monday had disobeyed orders to withdraw to safe positions.

Croats streamed from the Turkish-built town, e relic of the Ottoman empire, and its surrounding villages on foot or any other means of transport available. Mules, donkey carts, bicycles, cars and vans laden with panic-stricken refugees jostled on the roads as Croat mortar bombs and shells soared over their heads towards Moslem targets.

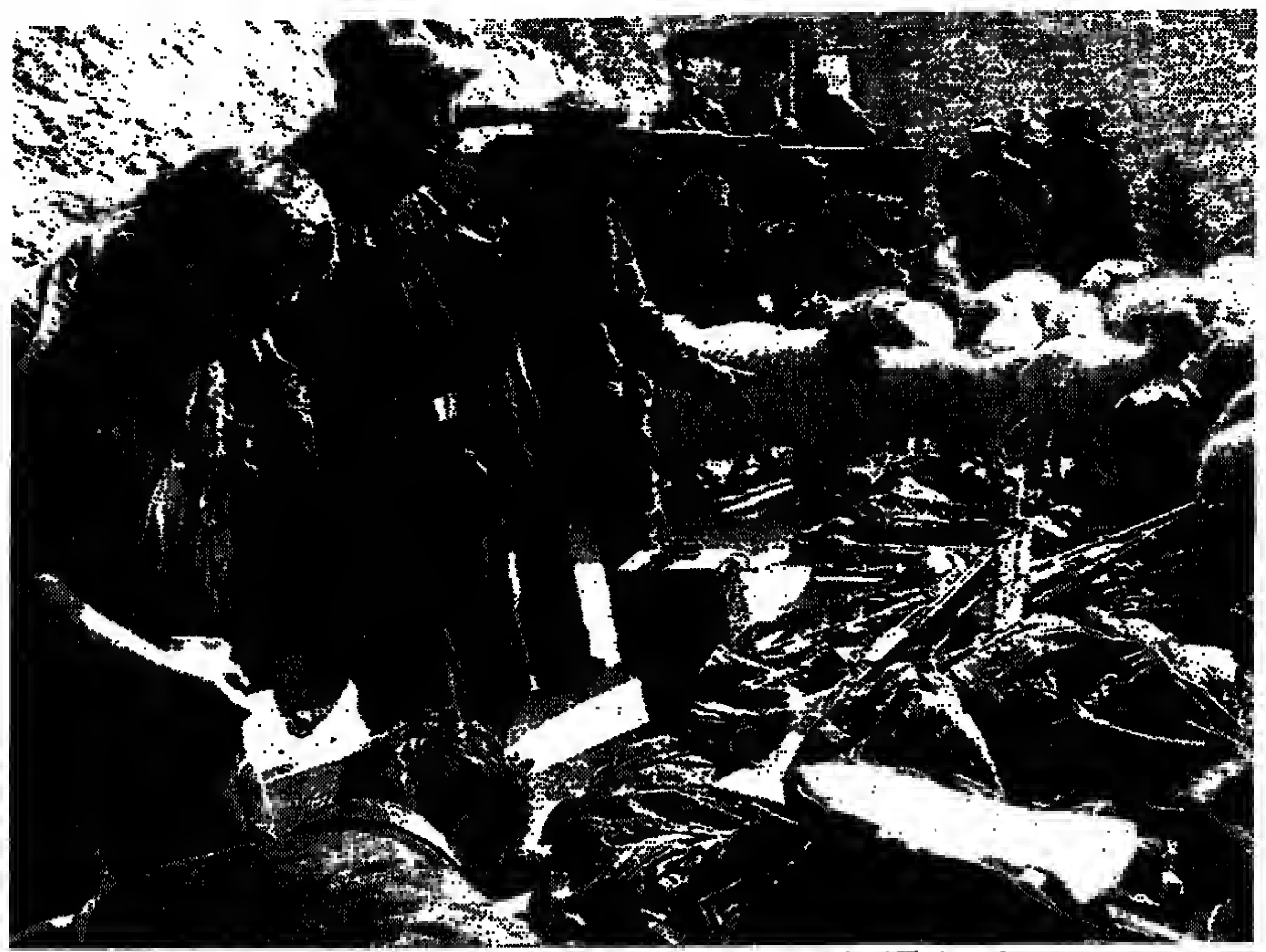
Hundreds of people have been killed in and around Travnik since the fighting began over the weekend, according to western military sources in the area.

The HVO appear to have taken up positions on high ground south and east of the town in anticipation of e Moslem attempt to take control of the valley bisecting central Bosnia. This would allow Moslems to link their northern strongholds of Tuzla and Zenica with Jablanica and Konjic south of Travnik.

An HVO spokesman confirmed that Croat soldiers and civilians from Travnik surrendered to the Bosnian Serb army on Mount Vlasic just north of the town during the fighting.

He said the troops had disobeyed orders to withdraw to nearby Novi Travnik.

General Philippe Morillon, the commander of UN peacekeepers, planned e meeting with leaders of the HVO and the Moslem-led government forces in e fresh attempt to enforce a ceasefire.



Bosnian Serb soldiers examine weapons taken from Croats who surrendered to them on Mount Vlasic north of Travnik after escaping from the Moslem onslaught on the town

Poland's stags muscle in on issues

By Christopher Bobinski in Warsaw

A RUSH for shares in the Polish government's privatisation issues has seen the return of one of the features of the old economy of chronic shortages – long queues – and the use of strong-arm methods to obtain shares.

Despite e continued fall in the Warsaw stock exchange after its meteoric 175 per cent rise since Easter, small investors remain convinced they will make e killing on new issues and crowded into banks and stockbrokers' offices to buy shares in the Vistula garment manufacturer and the Sokolow Podlaski meat works.

Many, hoping to double their money when the stocks were quoted on the exchange, had turned up day after day for two or more weeks to check their names off a list held by a queue committee specifically set up to make sure the order would be respected when the sale opened on a first come, first served basis.

Others had hired "standers" to keep their place as well as bodyguards to protect the "standers". The less subtle simply sent in a hired group of strong-arm men to make the purchase on the day.

Thus in Krakow on Monday Mr Krzysztof Arabski, a local broker became the small investor's hero after he refused to serve a dozen or more well-muscled investors who tried to jump the queue.

The group was more successful, however, in pushing aside a queue outside the Export Development Bank, where a couple of women accompanying them bought shares.

Scores of similar incidents have been reported of strong-arm men pushing into queues and buying all the shares available at a given branch. "In Bochnia near Krakow one man produced a pistol," says Mr Arabski.

Yesterday Mr Wieslaw Rozlucki, head of the Warsaw stock exchange called on the privatisation ministry to drop the first come first served system and offer new issues through the exchange on a subscription basis modelled on British practice.

The securities commission which regulates the market has asked aggrieved investors to lodge complaints.

Airbus plans jumbo Boeing challenger

By Paul Betts, Aerospace Correspondent, in Paris

THE European Airbus consortium is pressing ahead with plans to develop a 700-800 seat airliner at the same time as its four-partner companies are studying with Boeing the development of an even larger aircraft.

Boeing executives confirmed at a Financial Times aerospace conference before the Paris Air Show that their company was also considering a larger version of its 400-500 seat 747-400 jumbo.

The US company, the world's largest manufacturer of commercial jets, agreed earlier this year with the four Airbus partners – Aérospatiale of France, Deutsche Aerospace, British Aerospace and Casa of Spain – to study joint development of a super jumbo. But Mr Adam Brown, Airbus director of planning, said yesterday it would be an 800-1,000 seater which would not compete directly with Boeing's 747-400 which dominates the current 400-500 seater market.

Airbus has thus decided to challenge Boeing with an alternative plan for a 700-800 seater jumbo, called the Airbus A3XX, in a single class configuration. This would compete with the US company's larger version of the 747 which it is planning to maintain its dominance of the jumbo market.

Mr Brown told the conference he expected no growth in the commercial aircraft market over the next 10 years, but he said Airbus remained "firmly convinced about the potential viability of our proposed A3XX ultra-high capacity aircraft".

New smaller narrow-body airliners were unlikely to be built over the next decade, he said, but there was a strong case for developing a large capacity aircraft by the turn of the century. However, given development costs of more than $15bn, extensive international collaboration was inevitable. Airbus was trying to interest Japanese manufacturers in the A3XX.

Although all the main manufacturers are considering broad co-operation on such an aircraft, they are also anxious to maintain leadership of any new collaborative programme. This explains both the discussions between Boeing and the Airbus partners and their alternative jumbo projects.

At the smaller end of the market, said Mr Brown, the main focus would be on derivatives of existing airframes rather than wholly new designs. Boeing, for example, is expected to launch later this year a derivative of its 737 twin-engine narrow body jet.

The financial pressures on airlines, coupled with continuing overcapacity in the market, were expected to reduce sharply new aircraft programmes over the next 20 years, Mr Brown warned.

"Over the past 20 years the three prime manufacturers together have on average launched one major new or derivative programme every year. Over the next 20 years, it's hard to envisage more than a quarter of this number."

Mr Homi Mullan, managing director of Cbase investment Bank, said that with airlines generating inadequate cash flows to support an estimated $310bn worth of new aircraft required between now and the end of the century, the World Bank should consider helping more to finance the airline needs of third world countries. Barely 1 per cent of bank infrastructure financing last year supported airline or airport related projects.

Ekostahl to make new subsidy call

By Judy Dempsey in Berlin

EKOSTAHL, eastern Germany's large steel plant, will make another attempt at seeking subsidies from the European Community eimed et modernising the plant, preparing it for privatisation and saving the remaining 3,200 jobs.

Officials from the Treuhand, the agency responsible for privatising eastern German industry, and which owns Ekostahl, yesterday said a revised plan designed to modernise the cold rolling mill and construct a mini-mill would be presented to Brussels by the autumn.

"Without subsidies and giving Ekostahl a chance to compete in Germany, it will be impossible to find buyers for the mill," a Treuhand spokesperson said yesterday. Treuhand officials, however, are concerned about what social and political impact Ekostahl's closure would heve on the local region which is dependent on the mill.

Ekostahl applied last April for subsidies totalling DM1.2bn ($740m), but had insisted they would be linked to reducing capacity. The EC rejected that application on the grounds it would add to overcapacity in Europe.

East European workers become target of a clampdown

Bonn plans cheap labour curbs

By Ariane Genillard in Bonn

THE German government yesterday proposed the introduction of new labour rules for east European immigrants in an attempt to clamp down on the growing number of illegal workers from the east.

Government officials, under pressure from IG Bau, the powerful construction trade union, have set new rules which will restrict the ability of east European sub-contractors on German construction projects to pay their employees directly.

The regulations, which are expected to come into effect later this year, will force German companies directly to employ east European nationals and pay for their social insurance.

The eastern European sub-contractors, who provide workers for a third of the cost of a German employee, are accused of undermining Germany's highly regulated wage system.

Some of the sub-contractors are also known to be regularly approached by German companies seeking illegal workers.

While quotas signed between Germany and eastern European countries, including Russia, allow for 97,000 workers a year to work on short-term contracts, up to 400,000 are believed to be working illegally in the country, with more than two-thirds of them on construction sites.

But the rules are likely to have little effect on the illegal job seekers pouring through the country's eastern borders. The number of illegal immigrants caught at the Polish and Czech borders more than trebled to 29,200 in the first five months of the year, Mr Rudolf Seiters, the federal interior minister, said yesterday.

While the Interior Ministry has tightened security at the borders, the number of illegal immigrants has also increased ahead of the curb in Germany's liberal asylum law, which was recently passed in parliament.

SPD to fight welfare cuts plans

By Quentin Peel

THE opposition Social Democratic Party in the German parliament yesterday rejected calls for cuts in social spending to control the soaring budget deficit, and proposed an alternative DM33bn ($20.3bn) savings package for the coming year.

In spite of suggestions from some senior party figures that the huge social welfare budget can no longer be a "taboo" for spending cuts, the party leadership seems determined to fight the government on the issue.

The move would seem to put paid to any early attempt to negotiate a new cross-party "solidarity pact" to curb state spending, and keep the central government budget deficit to a ceiling of DM70bn this year and in 1994. Senior finance officials believe that only with cross-party agreement can adequate savings be made in coming years to keep the deficit under control.

Mrs Ingrid Matthäus-Maier, deputy leader of the SPD parliamentary group, and Mr Joechim Poss, its finance spokesman, yesterday spelt out their alternative plan for a DM33bn package of cuts and revenue increases which would avoid any social cuts.

Key elements include a further DM3bn-DM5bn cuts in defence spending, DM910m in abolishing fuel subsidies for farmers, DM300m from the manned space exploration programme and nuclear research, and DM170m in reduced finance for the government's publicity apparatus.

The SPD is proposing dismantling a series of tax allowances, totalling DM15bn a year, including cutting allowances on company entertainment, and abolishing the reimbursement of foreign taxation.

It also wants to introduce a "labour market surcharge" for those who pay no unemployment benefit, such as the self-employed, government servants, ministers and members of parliament.

The plan is intended as an alternative to the DM20bn package of spending cuts which Mr Theo Waigel, the finance minister, is proposing. He is calling for reduced unemployment benefits and cuts in other sensitive areas like child allowances and student grants.

The 1994 budget has to be finalised by July 13, when it is to be presented to the cabinet.

The 1993 budget deficit is now put at DM70bn, against an estimate of DM43bn.

Walesa bid to avert pay strike

PRESIDENT Lech Walesa will meet Solidarity leaders today to discuss pay demands over which the trade union is threatening to call a general strike, Reuter reports.

According to Mr Marian Krzaklewski, Solidarity chairman, the talks in Warsaw will cover union demands for pay rises in the public sector and changes in economic policy. "I do not expect that after these talks everything will change in Poland, but we would be satisfied if we got a positive response to some of our demands," he said.

Solidarity helped bring down Poland's government last month by calling e parliamentary confidence vote after Ms Hanna Suchocka, the prime minister, refused their pay demands. The union repeated threats to call e nationwide strike if its demands were not met after Mr Walesa dissolved parliament and asked Ms Suchocka to stay on until elections on September 19.

Abkhazia firm on independence demand

Steve LeVine reports on Georgia's stubborn Black Sea secessionists

MR Vladislav Ardzinba, leader of Georgia's secessionist region of Abkhazia, says the Black Sea resort strip is not retreating from its declaration of independence, and that he is formally seeking federation with Russia.

Although a ceasefire in Georgia'a nine-month war seems to be holding, Mr Ardzinba's position illustrates the difficulties of achieving sustained peace in the region.

In refusing, at least publicly, to budge on the question of Georgian sovereignty over Abkhazia's 530,000 people, Mr Ardzinba matches the severity of Georgian netionalists, who insist thet Abkhazia must stay firmly in their country.

"A big nation cannot force its will on a small nation. Otherwise we would not be living in the 20th century. It would be like the past," Mr Ardzinba said in the breakaway Abkhazian capital of Gudauta.

After months of acrimony between officials in the Georgian capital of Tbilisi and Gudauta war broke out last August when Georgia's National Guard leader, Mr Tengiz Kitovani, sent tanks into the port city of Sukhumi. Mr Ardzinba retreated to Gudauta, and the Georgians dug in at Sukhumi.

Abkhazians have been fighting for greater autonomy since at least 1978, when an uprising was crushed. Georgia points out that Abkhazians comprise just 17 per cent of Abkhazia's population, and so do not merit independence, but Mr Ardzinba asserts thet former Soviet leader Josef Stalin purposely diluted the population by resettling Georgians, Russians and Armenians.

The fighting since has raised tensions between Russia and Georgia and, according to Georgia's leader, Mr Eduard Shevardnadze, threatened to bring Moscow and Tbilisi into direct conflict. Mr Shevardnadze has long accused Russia of giving military help to the Abkhazians, and Russian complicity on the rebel side is evident.

In one example, a Russian airborne unit based et Gudauta has enforced an air exclusion zone over Abkhazia and, though a few Georgian sorties have penetrated, has warned Georgia not to bomb.

At the same time, the Russians have placed no such net over Georgian forces, and Georgia-controlled Sukhumi is often the target of bombing runs. A separate matter is who is flying the bombers over Sukhumi.

Mr Shevardnadze blames Russia outright, though Moscow denies this.

Tensions have eased since Mr Shevardnadze dismissed the hawkish Mr Kitovani, and he and Russia's president, Mr Boris Yeltsin, signed a ceasefire agreement that went into effect last month.

The truce requires both sides to withdraw heavy artillery from the front line. Meanwhile Mr Yeltsin's special envoy on Abkhazia, Mr Boris Pastoukov, has been shuttling between Mr Ardzinba and Mr Shevardnadze to find common ground. But the gulf separating the combatants remains wide.

Mr Ardzinba compared Mr Shevardnadze to some of history's most brutal leaders. "His policy toward Abkhazia is like Hitler or Mussolini, because it is based on the ideology of Nazism," said Mr Ardzinba, who is an academic specialist in cuneiform, Hittite language.

Saying that Georgia was increasingly alienating itself from Abkhazians, Mr Ardzinba said he would agree only to ceding some matters, such as foreign policy, to Georgia or Russia.

China turns to BA for advice

By Paul Betts

CHINA'S Civil Aviation Authnrity (CAAC) has approached Britisb Airways for help to modernise its airline industry, which is growing faster than any other airline sector in the world.

Air traffic is expanding by about 30 per cent a year in China, which is emerging as the most buoyant market in the depressed civil aircraft industry.

The Chinese authorities have already indicated plans to partially privatise the country's airlines and are seeking western help to upgrade and develop services to international standards

BA is among several leading western carriers epproached. Although the Chinese are at present seeking advice, they alsn hope to develop longer term relationships which could lead to western investment.

Sir Colin Marshall, BA's chairman, is leading a company delegation to Beijing this week at the tovitation of the CAAC. The Chinese are particularly interested in BA's privatisation process and experience.

The British airline has recently started non-stop flights between Londnn and Beijing and has been showing growing interest in developing its presence in the fast growing Chinese market.

Although BA officials said yesterday it was much too early to talk about joint ventures, e collaboration deal with a Chinese carrier would represent an additional component in BA's strategy to become e global airline.

Western aircraft manufacturers are also intensifying their marketing effnrts in China whose airlines have traditionally relied on Russian aircraft but are now increasingly turning to western airliners.

Mr Robert Dryden, a Boeing executive vice president, speaking at a Financial Times aerospace conference in Paris yesterday said China was expected to account for about 14 per cent of the 340 aircraft Boeing expected to build this year.

Ciller quits as Turkish economy minister

Tansn Ciller: a leading contender to succeed Demirel as prime minister

By John Murray Brown in Istanbul

TURKEY'S economy minister, Mrs Tansu Ciller, resigned yesterday, freeing her to stand as e candidate to become Turkey's new prime minster at a convention of the conservative True Path party (DYP) on Sunday.

Mrs Ciller, e 47-year-old former Istanbul economics professor – famous for having forced her husband to assume her maiden name – is one of the leading candidates bidding to be elected chairman of the DYP.

Whether she wins nr not, Turkey will now have to choose a new economy minister as Mrs Ciller's office made clear yesterday that she would not return to the cabinet if unsuccessful in Sunday's poll of 1,154 DYP delegates.

President Suleyman Demirel has declined to interfere in the election although his old party colleague, Mr Ismet Sezgin, interior minister, is also expected to announce his candidacy. Mr Koksal Toptan, the education minister, may join the contest.

Whoever emerges winner will have to reforge the coalition with the social democratic populists in the wake of the shock announcement on Monday that Prof Erdal Inonu, the SHP leader and current caretaker prime minister, wnuld stand dnwn in September.

An academic economist, Mrs Ciller has had a brief if chequered political career since becoming the coalition's economics minister in November 1991.

She has been criticised for continual sparring with Mr Rusdu Saracoglu, the Central Bank governor and a key figure in the economic reforms of the 1980s and one of the few senior bureaucrats to survive the change of government.

Mrs Ciller's anti-inflation policy has centred on bringing down interest rates, which she blames for the persistently large public sector deficits. Inflatinn figures for May increased to 4.7 per cent from 4.4 in April.

For all that Mrs Ciller's is doing well in the polls which suggest she is a leading candidate for party leader. Her rival, Mr Sezgin, has slipped up after being held responsible for the killing by Kurdish rebels of 35 army conscripts near Bingol last month.

Mrs Ciller was elected a member nf the party general assembly in 1990 and entered parliament in 1991. She once claimed she polled more votes than Mr Demirel, whose accession to the presidency created the current leadership contest.

● Kurdish rebels declared all-out war on Turkey yesterday and the government vowed to destroy them, setting the stage fnr another bloody summer in the south-east, Reuter reports from Ankara.

Mr Abdullah Ocalan, head of the Kurdistan Workers' party (PKK), said he was resuming the military struggle because Ankara had ignored the unilateral ceasefire the PKK declared in March.

Some 330 people, most of them PKK rebels, have been killed in the mainly Kurdish snuth-east eince the PKK seized and killed 33 soldiers in May.

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INTERNATIONAL COMPANIES AND FINANCE

Naf-Naf plans FFr198m second market flotation

By Alice Rawsthorn in Paris

NAF-NAF, the French clothing company, is going public by floating 13 per cent of its capital, worth FFr198m ($36.3m), on the Paris second market as a precursor to a larger issue next year.

The Naf-Naf issue, which follows little more than a week after that of Hermès, the luxury goods group, is seen as a test of the Paris market in the run-up to the new centre-right government's privatisation programme.

The market has been sluggish so far this year, but the successful Hermès issue was 33 times over-subscribed.

The bulk of the privatisations should start in September but the government plans to sell a FFr5bn stake in the Crédit Local de France banking group by the end of this month.

Naf-Naf is taking a cautious approach to life on the stock market by staging an introduction of 791,668 new shares at FFr250 each on to the second market. The issue is intended to raise capital to finance the group's international expansion plans.

After the introduction the founding Pariente family will still control Naf-Naf with 66.6 per cent of the shares and 79.9 per cent of the votes. Crédit Lyonnais, the French bank, will hold 9.5 per cent and Banque Nationale de Paris 5.95 per cent.

Naf-Naf, which specialises in casual clothes for children and young adults, is one of the best known clothing brands in France. It was founded 20 years ago in Sentier, the "rag trade" district of Paris, and now owns 120 shops in France, 13 elsewhere in Europe and sells to 3,500 retail customers.

The group made net profits of FFr90m on sales of FFr1.03bn in 1992. It expects profits to rise by at least 20 per cent to FFr110m this year on sales up by 15 per cent to more than FFr1.19bn.

EAC to sell Plumrose meat unit

EAST Asiatic Company (EAC), the troubled Danish international trading group, has made a provisional agreement to sell its Plumrose meat processing operations in the UK and the US to Vestjyske Slagterier, the big Danish abattoir group, writes Hilary Barnes in Copenhagen.

EAC said that more details about the sale and implications for the group's finances would be published when the agreement was made final. The company's meat processing operations in Germany are not covered by the deal, but the parties have agreed to a co-operation with a view for a later acquisition by Vestjyske.

EAC said that its food operations in Australia and New Zealand would be sold.

The group made a DKr1.18bn ($190m) loss on sales of DKr17.3bn last year. The consumer goods division, which includes the food processing operations, had a turnover of DKr7.29bn and made an operating profit of DKr254m.

Earlier this year EAC was forced to sell its liner shipping operations to the AP Moller group.

SAS wish to cut stake in LanChile confirmed

By Christopher Brown-Humes in Stockholm

SCANDINAVIAN Airlines System (SAS) reaffirmed yesterday that it is looking to sell part of its 42 per cent stake in Chile's leading airline, LanChile.

It said the move would probably be made in conjunction with the Chilean state's plan to sell its 22 per cent stake in the airline.

The sale would be specifically intended to give another Chilean investor the chance to own as many shares as SAS.

"We are prepared to lower our holding by 5 or 10 per cent because we believe it would be healthy to have a strong Chilean investor in the airline," an SAS official said.

He denied the plan had any connection with SAS's ongoing merger talks with three other European airlines – KLM, Swissair and Austrian Airlines.

The stake has a book value of SKr247m ($34m).

SAS originally bought a 35 per cent stake in LanChile in 1990 to gain a strategic partner in South America.

The holding became less important to the Scandinavian airline, however, when it stopped flying to South America in January 1992. Co-operation with LanChile today centres on training, agency agreements, and a joint-venture duty free operation.

● Condor, a unit of Lufthansa, said it had 1992 after-tax profit of DM2.6m after a DM4.6m loss in 1991, Reuter reports from Frankfurt.

The holiday charter company said that passenger revenues rose to DM1.33bn from DM1.99bn a year earlier.

Condor said that it flew 4.3m passengers in 1992, about 1.1m more than in the previous year.

Its share of the German tourism market was up by about 3 percentage points to 24 per cent, Condor said.

Swiss insurer hit by natural catastrophes

Winterthur sees return to profit

By Ian Rodger in Zurich

WINTERTHUR Insurance, Switzerland's third largest insurance group, is looking for a profit recovery this year after last year's result was hit by several exceptional costs.

"It looks like 1993 will have improved results," Mr Peter Spälti, the chief executive, said at a press conference in Winterthur.

Net income in 1992 fell 6 per cent to SFr247m ($176.4m) because of write-downs of its investments in Norwich Winterthur Re and Hypobank, the latter sold to Swiss Bank Corporation in January.

Mr Spälti said the group had been hit by natural catastrophes last year, with its reinsurance business losing SFr150m. Norwich Winterthur Re had stopped writing new business and Mr Spälti said it would not put further burdens on the group this year.

Gross premiums last year grew 6.2 per cent to SFr15.52bn and he said he was looking for further growth of 7 per cent this year.

Mr Spälti said it was possible that Winterthur would increase its stake in France's UAP. Winterthur holds a 3 per cent stake in the large French insurance group which the new French government intends to privatise.

A decision to raise it would await further progress on a credit business co-operation between the two.

Winterthur plans to split its bearer and registered shares on the basis of 5-for-1 and to convert its participation certificates into registered shares.

● Swissair said the planned merger of its Balair and Cie des Transports Aeriens charter units may be delayed by an objection raised by one of the unit's shareholders, Reuter reports from Basle.

The link-up was approved by Swissair shareholders at a meeting, the company said. But should the shareholder's objection not be withdrawn, the plan could be delayed.

Great Portland Estates to raise £95m

By Vanessa Houlder, Property Correspondent

GREAT Portland Estates, yesterday announced a £95m ($146.3m) rights issue, making it the latest addition to the ranks of property companies raising money from the equity market.

The announcement takes the total raised by property companies this year to over £900m as companies have taken advantage of a revival in their share prices to repair their balance sheets and fund new acquisitions.

The rights issue was accompanied by an announcement of a 16 per cent fall in net asset values per share from 212p to 178p and a rise in pre-tax profits to £34m from £20.3m, as restated under a new financial reporting standard (FRS3).

The company also announced a "prudent" cut in its dividend to 8p per share in 1994, from 10p this year. The company's cash flow is expected to be constrained by the expiry of some of its leases in the next few years.

The rights issue was welcomed by the stockmarket which pushed the shares up 8p to 197p.

It shrugged off the announcement of the dividend cut next year, which had been foreshadowed last November.

Mr Richard Peskin, chairman, was cautiously optimistic about the property market. "The recovery in the economy is proving to be patchy and fragile but, after the darkest period for property since the second world war, I think that, at long last, we are beginning to see some light," he said.

Great Portland justified the rights issue by arguing that its gearing, which had risen from 75 per cent to 91 per cent, might otherwise constrain it from making acquisitions. It said it was in discussions concerning potential property deals which, if completed, could amount to some £70m.

Great Portland also announced the redevelopment of Portland Court, an 80,000 sq ft office building in Great Portland Street at a cost of £20m. It said the building was expected to be "one of the very few of its size and quality to become available in central London by 1996".

The rights issue, which was on a one-for-four basis at 150p a share, was underwritten by Baring Brothers. The company is holding an extraordinary general meeting on July 2 to approve an increase in the company's authorised share capital.

Great Portland has become one of the first property companies to implement FRS3, which requires companies to include profits and losses from the sale of investment properties in arriving at earnings per share.

Rental income rose by 19 per cent to £83.8m. The investment portfolio was written down by 9 per cent to £823.4m. Earnings per share rose to 11.7p compared with 4.8p for 1992, as restated under FRS3. A maintained final dividend of 6.6p makes a total for the year of 10p.

COMPANY NEWS IN BRIEF

COLONIA KONZERN, the German financial services group, said the "spectacular improvement" in earnings in last year's group net profit to DM109.5m ($68.4m) from DM40.1m in the previous 12 months was due to an improvement in insurance business, Reuter reports from Cologne.

Mr Claas Kleyholdt, the chairman, said that Colonia Versicherung and Nordstern Allgemeine Versicherungs, the property insurance units, had resumed making profits on pure insurance business after a long period in the red.

Gross underwriting profit at Colonia Versicherung was DM16m last year after a loss of DM180m in 1991. Non-insurance business was satisfactory and all units improved.

The group will pay dividends of DM18 per bearer share and DM20 per preference share on the 1992 results.

■ BILFINGER und Berger Bau, the German construction group, said domestic orders rose by 11.4 per cent during the first four months of 1993 to DM1.20bn, Reuter reports from Mannheim.

However, foreign orders fell by 16 per cent to DM813 m for an overall 1.6 per cent decline, Mr Christian Roth, the chairman said.

Output in the period fell by 4.5 per cent to DM1.73bn. Domestic output rose by 13.2 per cent to DM1.06bn, but foreign output fell 23.5 per cent to DM667bn. The decline was due to the winding down of major foreign projects which has not yet been compensated for with new orders.

Bilfinger's biggest foreign contribution to output in 1992 came from Nigeria, where it handled a number of projects stemming from the move of the Nigerian capital to Abuja from Lagos.

Other projects included the completion of the Challawa Gorge Dam near Kano and a mosque and hospital in Minna.

■ TALKS between Saga Petroleum of Norway and Germany's Wintershall on Saga taking a stake in Wintershall's gas pipelines have included issues such as merging the two firms, Reuter reports from Oslo.

According to a source in the international petroleum industry who declined to be identified, the talks also had touched upon Saga and Wintershall possibly taking a stake in each other.

Price rises improve result at Anglian Water

By Angus Foster in London

ANGLIAN Water, one of the UK's biggest privatised water companies, yesterday announced profits in line with expectations but said its unregulated businesses lost money due to recession and start-up costs.

Pre-tax profits increased by 8.2 per cent from £171.3m to £185.4m ($282m) in the year to March 31, helped by price increases and a £3.3m gain on land sales. Mr Bernard Henderson, chairman, said the results represented a considerable achievement, especially in Anglian's regulated water and sewage business.

Turnover increased by 11.5 per cent to £583.2m, with average price increases at 9.4 per cent. Operating costs grew more quickly, reflecting the expansion of the unregulated businesses. Operating profits increased by 9.1 per cent to £211.6m.

The unregulated businesses, which were strengthened in February by the acquisition of the Swedish-based process engineering company Nordic Water, made an operating loss of £4.4m on sales of £29m. Mr Alan Smith, the managing director, said that he hoped that the division would make a profit after interest costs this year.

Anglian has reacted to criticism of its disconnection policy – the number of customers cut off fell from 1,200 to 236. But bad debt provisions shot up from £3.4m to £8.4m.

Interest costs increased by nearly a third to £29.5m. Net borrowings rose by a similar amount to £392.5m as the capital spending programme gathered momentum. Gearing increased from 23 per cent to nearly 29 per cent.

Anglian said it had won backing from customers to raise capital spending and prices beyond the legal minimum in the second half of the decade. Ofwat, the UK water regulator, will next year rule on companies' pricing levels and most companies are finding resistance from customers to higher prices.

Earnings per share increased 9.1 per cent to 56.4p. The company recommended a final dividend of 14.3p to make a total of 21.2p, a 9.3 per cent increase.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.06.93: Pool purchase price £/MWh	Final Prices for Trading on 12.05.93: Pool purchase price £/MWh	Final Prices for Trading on 12.05.93: Pool selling price £/MWh
0030	20.52	19.00	19.00
0100	18.09	18.64	18.64
0130	18.08	19.00	19.00
0200	18.08	27.50	32.04
0230	18.07	27.50	32.00
0300	18.07	20.50	20.50
0330	18.07	19.50	19.50
0400	18.07	19.00	19.00
0430	18.07	18.64	18.64
0500	18.07	18.64	18.64
0530	18.07	18.60	18.60
0600	18.07	18.58	18.58
0630	18.07	18.60	18.60
0700	22.06	19.00	19.00
0730	25.55	27.43	31.82
0800	25.59	25.78	30.08
0830	25.66	27.47	31.79
0900	27.18	27.52	31.84
0930	33.57	35.10	39.68
1000	33.67	35.11	39.63
1030	33.75	27.52	31.81
1100	33.93	27.52	31.81
1130	34.26	27.53	31.83
1200	34.44	27.55	31.85
1230	34.30	30.10	34.48
1300	33.94	30.07	34.45
1330	27.33	27.45	31.71
1400	27.16	28.85	31.19
1430	27.07	25.76	29.96
1500	27.04	25.78	29.96
1530	25.68	26.59	30.61
1600	25.78	26.60	30.62
1630	27.25	30.67	35.03
1700	33.43	37.89	42.47
1730	33.32	37.89	42.47
1800	27.03	37.87	42.49
1830	26.57	25.40	29.62
1900	25.56	25.40	29.63
1930	25.03	25.40	29.64
2000	25.03	25.25	29.49
2030	25.03	24.78	28.96
2100	25.03	24.78	28.97
2130	25.54	45.42	50.33
2200	34.00	45.42	50.53
2230	34.00	35.00	35.00
2300	33.00	20.50	20.50
2330	23.65	19.07	19.07
2400	22.06	18.88	18.88

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.880p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of [illegible]

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RPR to take $77m charge in second term

By Nikki Tait in New York

RHONE-Poulenc Rorer, the pharmaceuticals cnmpany formed when the French state-owned cbemicals company took a majority stake in the US drng manufectnrer, announced yesterday that it would take a one-off, pre-tax charge of $77m in the second quarter of 1993.

The charge will cover some previously-announced moves, primarily in the group's European operations.

The overhaul involves RPR in divesting part of its mannfacturing facility at Monts, in France, with the expected loss of 230 jobs.

It is also restructuring the marketing and manufacturing operation of the German and Italian pharmaceuticals businesses, blaming "governmental actions to limit prescription pharmacentical volumes and prices in these markets". Around 130 jobs are due to be lost in Germany as a result.

RPR said yesterday that of the $77m provision, the cash outlay this year is likely to be around $30m. The estimated pre-tax eavings from the streamlining are put at about $30m a year, beginning in 1994.

The company said that it would nse a previously-announced legal aettlement with Baxter International to offset the effect of the restructuring charge on earnings. As part of the settlement of the patent dispnte, Baxter has agreed to pay RPR $105m.

Mexican broadcaster plans $65m stock issue

By Damian Fraser

GRUPO Radio Centro, a leading Mexican radio broadcaster, is poised to issue $65m of stock in Mexican and US markets in an initial pnblic offering.

The company is the largest radlo broadcaster in Mexico City, with nine stations. The owners, the Aguirre famlly, are believed to be interested in bnying np two state-owned television companies due for privatisation.

The eqnity lssne wonld make Radio Centro the sixth Mexican company to be quoted on the New York Stock Exchange.

The prospectus says proceeds will be used to pay off debt and finance potential acquisitions, although it says that no such negotiations are pending.

Radio Centro earned revenues last year of $47.6m, with profits of $12.8m. Operations have been squeezed recently by a slowdown in advertising, reflecting the weak state of the Mexican economy.

Next month the Mexican government is expected to announce the winning bidder for two television networks, a film studio and theatre chain.

The Radio Centro equity offering is being lead managed by Bear Stearns in the US, and Bursamex in Mexico.

Offer to buy Univa dropped

By Robert Gibbens in Montreal

CONTROL OF Canada'e second lergest food distributor, the Montreal-based Univa, with sales of mora than C$5bn (US$3.9bn), is again in play.

E. M. Warburg Pincus, the New York investment group, has dropped its offer to buy 26 per cent of Univa from Montreal entrepreneur Mr Bertin Nadean's Unigesco. The price was to beve been C$8.85 e share, or about C$200m. This would have allowed Unigesco to repay debt due in the next year.

Unigesco said it had begun negotiations to sell its Univa holding with unidentified Quebec institutions.

The second biggest holder of Univa is the Sobey family of Novia Scotia with 25 per cent. However, this block is potentially for sale.

The next biggest holder is the Caisse de Depôt, Quebec's C$42bn pnblic pension fund, with 13.5 per cent. The Caisse has already indicated it wants to keep effectiva control of Univa in Quebec.

Earlier this year the Caisse opposed e C$11 a share bid from New York investment bankers Blackstone Group for ell Unive shares, totalling about C$1bn. The Caisse said tbe leveraged buy-ont propoeed would beve loaded Univa with excessive debt.

Microsoft in venture with Xerox

By Louise Kehoe in San Francisco

MICROSOFT, the leeding personal computer software company, has formed a partnership with Xerox, the office products and imaging company, to develop technology aimed at integrating copying machines and other office document products into PC networks.

PCs and document products are most often unconnected or incompatible, hindering work-flow and productivity.

The companies said that they would work to define and develop software products that streamline processes for the creation, production and distribution of documents.

Microsoft and Xerox bave agreed to deliver a new generation of document products and PC software.

The companies said that they were also collaborating on related unspecified business initiatives.

"This partnership, allowing the integration of document products and PCs, will result in products that change the way people work," said Mr Bill Gates, chief executive of Microsoft.

As well as jointly developing technology, the companies will co-operate in marketing, sales and promotional ectivities. Specific terms are subject to negotiation of e final agreement between the companies.

The egreement between Microsoft and Xerox comes on the eve of a Microaoft announcement that is expected to include partnership agreements with several other office products companies including Hewlett-Packard, Compaq Computer, Minolta, Ricoh and Ericsson.

These agreements will similarly be aimed at creating software that links printers, copiera, facsimile machines and other office products to PC networks.

● In an eudacious marketing campaign, Computer Associates International will herald its entry into the consumer PC softwere market by distributing 1m free copies of its new personal finance software, Kiplinger's CA-Simply Money.

CA will send free copies to the first 1m people in the US who call to request the software program, an unprecedented gamblt in the software industry.

The product and the marketing campaign are directed at home PC users. The software provides advice on how to manage personal finances.

In a survey commissioned by CA, the Gallup organisation found that nearly 31 per cent of those contacted have a PC at home, but only 29 per cent of these home users use personal finance software.

Federated makes swift recovery

Nikki Tait reports on the turnround at the US retailing group

WHILE plenty of US companies have emerged from bankruptcy protection, few have gone on to achieve much in the way of fame and fortune. Could Federated Department Stores – which takes in some of the nation's best-known department store chains, including Bloomingdale's, Abraham & Straus and Jordan Marsh – prove an exception?

The retailer's recuperation period has been surprisingly swift. Just three years ago, Federated was floundering under $7.5bn of debt, due to the antics of Canadian property developer, Mr Robert Campeau. It filed for bankruptcy court protection in January 1990 and pundits predicted that it would take years for the complex case to be worked out. In the meantime, they declared, a fire-sale of assets might prove inevitable.

They were wrong. Federated emerged, largely intact, from corporate purgatory in early-1992. In the 12 months ended January this year, it made a small $133m profit before extraordinary items and accounting-related charges, despite the tough retail climate. Sales totalled around $7bn. Now, Standard & Poor's is talking about returning the group's debt to "investment grade" status within a year.

"The first annual meeting of the new Federated . . ." crowed Mr Allen Questrom, chairman, at the recent shareholders' gathering. The executive, who rejoined Federated from Neiman Marcus shortly after the bankruptcy filing, paused to let the words sink in. "That sounds awful nice," he added.

But if Federated's crisis has passed, enabling the ongoing company to flourish in America's highly competitive retail environment is still a challenge. For a start, borrowings remain huge. At the end of January, net borrowings were in excess of $2.25bn, putting the debt-to-equity ratio at 110 per cent. That, moreover, is after a large share offering last May and a couple of debt refinancings. Last year net interest charges consumed almost $200m.

Still, in the eyes of Mr James Zimmerman, Federated's chief operating officer, the balance sheet situation is less problematic than certain other aspects of the business. "The debt situation is satisfactory," he says, pointing out that the current average borrowing cost now stands at a lowly 7.5 per cent.

Instead, Zimmerman calls costs the "number one priority". Here, Federated lags behind many of its retail competitors – even other traditional department stores, whose cost base (and associated service levels) substantially exceed those of the powerful discounters. Selling, general and administrative (SG&A) expenses, for example, took 34.2 cents out of every dollar of sales at Federated in 1992. Many department store groups have ratios of under 30 per cent, while discounters squeeze below 20 per cent.

The Cincinneti-based retailer, acutely aware of the problem, has been juggling the back-office facilities which support its multi-chain group. All credit operations are now run from Cincinnati, for example, while the back-office functions for two of the store chains – Abraham & Straus and Jordan Marsh – have been consolidated. The latter move, say analysts, should shave around 0.35 per cent off the SG&A to sales ratio this year.

But, in reality, many of the longer-term cost-savings may come from fast-advancing retail technologies – such as improved electronic stock control, which can cut out paperwork and increase the speed and efficiency with which inventories are replenished.

Like other retailers, Federated knows the potential which more advanced systems can offer: "We're just leaping forward on the technology front," says Mr Zimmerman.

The downside is that expenditure on improved technologies adds to capital investment needs, and Federated, like many companies which have been through the bankruptcy mill, is still constrained by obligations to its bankers. Nevertheless, it successfully won a $460m increase in the anticipated capital spending programme for the 1993-95 period. Total spending over that period should now total about $1.2bn.

About half the money will go on refurbishing existing stores. Only three new outlets will be added in the current year – it currently operates 217 – but the pace should then increase to between four and eight new stores a year annually from 1994 onwards. Mr Questrom even talks, in vegue terms, about exploring acquisition possibilities somewhere down the road.

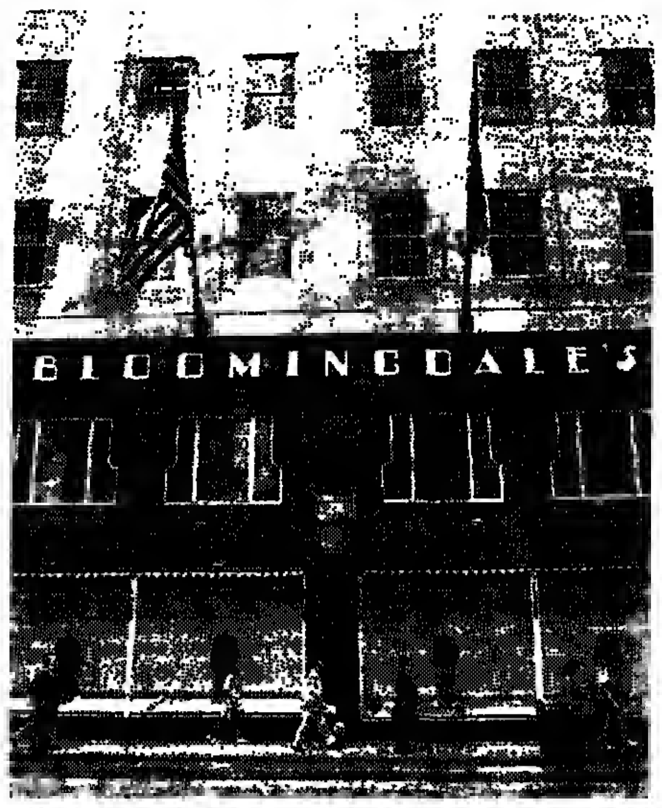
Even so, this level of expansion needs to be seen in context. May Department Stores, running chains such as Lord & Taylor and Kaufmann's, recently announced e $4.6bn spending programme for the next five years, involving the opening of 100 new outlets.

But having come this far, Mr Questrom remains bullish. He notes that the SG&A ratio has come down by 2.5 percentage points over the past three years, and thinks a similar advance should be possible in the next few years. Stock turn has increased from 2.33 times in 1990, to almost 2.9 times in 1992. And Federated says that profit margins – as measured by earnings before tax, interest, depreciation and amortisation – should reach 11 to 13 per cent between 1995 and 1997. Considering that they stood at 5.8 per cent in 1990, that would be no mean progress.

Perhaps the biggest plus for Federated is the shifting dynamic in the retail sector. A few years ago, discount retailers were all the rage, and some pundits wondered whether the traditional department stores had much of a future. Now, as the economy starts to improve and the department store operators have become more competitive at marketing their wares, the trend seems to be going in the other direction.

In fact, Mr Questrom can even afford to be gracious towards some of the specialty fashion chains which, until recently, appeared to have had a steal on his customers. "These concepts are always changing", he remarks, benignly. "We can move from left to right."

That flexibility, he argues, should serve the department store segment well as demographics change, the population ages, and customer demands shift from high, affordable fashion to more sophisticated items, such as quality cosmetics and "larger-size" clothing.



Federated Stores includes some of the nation's best-known outlets

Stores in the Federated group*

	Sales ($bn)	Number of stores
A&S/Jordan Marsh	1.42	15/20
Bloomingdale's	1.11	15
The Bon Marche	0.783	39
Burdines	1.16	43
Lazarus	0.957	39
Rich's/Goldsmith's	0.884	24
Stern's	0.655	22

*1992 figures

Tenneco unit to close plant

By Damien Fraser in New York

NEWPORT News Shipbuilding, a subsidiary of the US industrial conglomerate Tenneco, will close its Asheville Industries plant, and lay off 1,000 workers, in response to declining submarine and aircraft carrier work.

Newport has recently suffered from cuts in spending by the US navy, its main customer, which have only been partly offset by efforts to diversify into the commercial shipbuilding market.

The company posted revenues of $2.3bn last year, 17 per cent of Tenneco's total turnover.

Newport News will close the Asheville plant by June next year, gradually laying off its 500 workers over the next 12 months, and cut beck operations in Newport News shipyard where 500 workers are to lose their jobs, most from next week.

Mr Pat Phillips, chief executive at Newport News, said that because of delays in US navy orders, the lay-offs and closure were essential in order to keep the shipbuilder competitive.

In recent years Tenneco has cut costs in various subsidiaries, with improvement most marked in Case, the troubled farm and construction unit.

Prague to trade in 650 companies

SHARES in 650 Czech companies will be eligible to trade on the Prague Stock Exchange from June 22, Reuter reports from Prague. Buy and sell orders from both local and foreign investors will be accepted on June 21 and transactions will be posted the following day.

The exchange will run parallel with compnterised over-the-counter trading called RMS.

Badenhorst looks to long term for ABSA

Philip Gawith on the challenges still facing South Africa's largest banking group

MR PIET Badenhorst, straight-talking chief executive of Amalgamated Banks of South Africa – South Africa's largest banking group – is not a man to seek publicity. In the past few months, however, he has had it by the shovel-load. It has been the sort he could have done without.

Hardly a week has passed without some piece of ABSA's dirty linen being hung out to air. If it was not the dismissal of a senior executive for alleged fraud, or disputes about contracts entered into before the Bankorp merger, or fraud in the vehicle finance section, it was controversy about ABSA forcing companies into liquidation.

Following the merger in January 1992 with Bankorp, nobody doubted that ABSA had inherited a number of problems. The seemingly endless string of litigation, however, soon raised concern that Mr Badenhorst was pursuing personal vendettas rather than the interests of shareholders. Mr Badenhorst's standard reply to this charge was to growl that critics should await the group's 1992-93 results before passing judgment.

That occasion arrived on Monday. The group made attributable profits of R639m ($200.2m) for the year ended March, with earnings per share rising by 12 per cent and the dividend by 10 per cent.

These are modest numbers. Stanbic, First National Bank and Nedcor, ABSA's three main banking rivals, all increased earnings per share by about 20 per cent for last year.

Considering ABSA's heavy rationalisation, however, most observers are inclined to agree with Mr Badenhorst that the results are "satisfactory".

So far the stock market has been lukewarm about ABSA, either doubting whether the benefits of scale will ever be realised, or believing them too distant to warrant any immediate attention to the shares, which have continued to under-perform the banking sector.

For his part, Mr Badenhorst is not in any doubt that the merger is on track and that the group has now reached calmer waters. "I think we can close the book on the contentious items. There is not a bad apple that I'm aware of that hasn't been dealt with, either through write-offs, provisions or management actions," he says.

Plainly, the past year has been one of extraordinary activity. It has involved three main components:

● Achieving rationalisation benefits of the merger which, most traumatically, has involved the retrenchment of 5,000 staff.

● Prioritising risk management, which had been very poor in the Bankorp division in particular. This has involved making extensive provisions for existing bad debts, and implementing stricter credit screening controls for future lending.

● Removing managers tainted with bad practices and replacing them with a team which reflects the banking culture Mr Badenhorst is seeking: strong customer service, high productivity, cost consciousness, and quality lending.

'It's a little like putting the Springboks back into the Five Nations' tournament after years of isolation. It takes time to get up to speed in terms of the rules and the techniques'

The challenge now is to make the new structure work efficiently. Mr Badenhorst stresses that given the low level of the operating efficiencies of some of the divisions he inherited, this is no mean task.

He agrees that his main competitors have many years' start over ABSA. "It's a little like putting the Springboks back into the Five Nations [rugby] tournament after years of isolation. It takes time to get up to speed in terms of the rules and the techniques."

Short-term targets involved a return to controlled asset growth – the past year of consolidation saw assets virtually static – and gaining market share in areas where ABSA is under-represented, notably corporate lending and merchant banking.

ABSA always set itself a three-year target in which to digest the merger fully. Analysts, in general, are supportive of the actions taken by Mr Badenhorst over the past year and agree that the long-term project – to secure significant cost benefits through economies of scale – is on target.

Where there is stock market concern, it focuses on whether Mr Badenhorst has the depth of management to take the task to its conclusion.

Mr Badenhorst accepts that the complexion of the group's senior management – overwhelmingly white, Afrikaans male – needs to be changed. "We're a South African operation and must be South African in every respect."

He says it is policy – endorsed by all senior managers – to increase the number of non-whites on the staff; to achieve language parity among the staff; and to bring more English speakers into the management team. He adds: "There is not a stone I've personally left unturned to achieve that."

S Korea to open bond market to foreigners

SOUTH Korea's bond market may be opened to foreign investors within a year and the ceiling on foreign ownership on Korean stocks may be raised, AP-DJ reports from Seoul.

Mr Hong Jae-hyong, finance minister, hinted that the bond market would most likely be opened to foreign investors as early as next year or, at the latest, before 1996.

He said the foreign ownership ceiling on Korean stocks, now 10 per cent of a listed company, would be raised several times over the next five years but he refused to give an exact timetable and the maximum ceiling.

The Seoul Stock Exchange was opened to foreign investors in January 1992.

Mr Hong said Japan had taken 20 years to complete its stock market opening programme, but South Korea would open its market to a significant level over the next five to six years.

"It took 10 years for the US and Japan to deregulate interest rates but South Korea will liberalise all controls on interest rates, except for those on demand deposits, over the next three to four years," Mr Hong said.

Foreign financial institutions would be guaranteed the opportunity to do business in Korea on an equal footing with their local counterparts, he said.

Rockwell opens Japanese centre

ROCKWELL International, the aerospace to motor components multinational, is opening a technical centre in Nagoya to increase access to Japanese automotive business, writes John Griffiths.

The centre, to be operated by Rockwell's vehicle body and chassis systems unit will be integrated with engineering centres in Frankfurt, Birmingham, France and Canada.

ACH in A$12.9m bid to take control of Melcann

By Bruce Jacques in Sydney

CSR and Pioneer International, the Australian building products groups, have moved to rationalise further the local cement industry with a A$12.9m (US$8.7m) take-over bid for full control of Melcann, the bagged cement distributor.

The bid was announced through Australian Cement Holdings (ACH), the joint venture controlled by CSR and Pioneer. It is worth A$1.85 a share for the 49.5 per cent of Melcann not already owned.

ACH said the bid was pitched at 19 times Melcann's latest earnings per share, was 32 per cent above latest net tangible assets and was at a 12 per cent premium to Melcann's average share price for the latest year.

If the bid went through, Melcann shareholders would retain the company's 5 cents a share dividend declared for payment in July, ACH said.

The bid is subject to the condition that ACH would become entitled to 90 per cent of Melcann's shares and would be able to achieve compulsory acquisition.

ACH is making the offer because it believes that Melcann is poorly positioned as an independent distributor in the increasingly competitive Australian cement market, ACH said.

It said Melcann's attempts at geographic and product diversification over the last few years had been unsuccessful and extremely costly. Melcann is also a grain trader and sells swimming pool products.

Qatar National Bank net profit increases 13%

QATAR National Bank recorded a 13 per cent increase net profit to 305m riyals ($87m) for 1992, Reuter reports from Dubai.

It said total assets grew by 9.4 per cent to 14.8bn riyals during the year.

The bank, which is a 50-50 joint venture between the government and Qatari nationals, said that it planned to back investments in the industrial sector.

These would mainly be in developing the country's vast North Field gas reserve, one of the largest in the world.

Qatar National Bank also announced plans to increase its paid-up capital to 283.5m riyals from 189m riyals through a one-for-two scrip issue.

BSN buys stake in New Zealand meat company

By Terry Hall in Wellington

BSN, the French foods group, is extending its interests in New Zealand by paying NZ$19.2m (US$10.3m) for a 20 per cent shareholding in Best Corporation, the processed meat company.

Best, which is controlled by the founding Huljich family, said that BSN would become involved through a special placement of shares at NZ$3.25.

Best is also planning a one-for-10 rights issue. The Huljich family plan to pass their rights to the issue to BSN. After the issue and placement, Huljich family interests would hold 50.1 per cent of the shares and BSN 20 per cent.

However, BSN has also been given an option to increase its shareholding over time to 40 per cent. BSN is already one of the largest food groups in New Zealand, following the recent purchase of Nabisco's biscuit, margarine and edible oils business.

Best said that the company's next result would be lower than forecast, reflecting "delays and abnormal costs" in entering new export markets.

The company also said that it was buying its Australian associated company, Best Pacific Corporation, for NZ$2.5m.

● Fletcher Challenge, the forestry and resources group, has appointed Mr Kerry Hoggard, last year's New Zealand business executive of the year, to its board.

Fletcher is New Zealand's third-largest company by stock market value.

INTERNATIONAL CAPITAL MARKETS

Warm welcome for two UK corporate deals

By Tracy Corrigan

TWO prime UK corporate borrowers tapped the Eurosterling bond market yesterday, while a range of issues in other currencies kept dealers busy.

New issues from British Gas and Marks & Spencer totalling £400m met strong demand from investors.

INTERNATIONAL BONDS

British Gas' £250m 15-year deal met surprisingly strong demand from European and Far-Eastern investors, who normally do not buy paper maturing in more than 10 years. Longer-dated sterling bonds are normally the preserve of UK pension fund managers and insurance companies. However, the positive yield curve in the sterling bond market, coupled with low yields in most other markets, has encouraged overseas investors to extend maturity.

The deal, arranged by Samuel Montagu and Salomon Brothers, was priced to yield 30 basis points over the 9 per cent gilt due 2008. British Gas said the pricing represented "the tightest spread and the longest maturity" that the company had achieved on a Eurosterling issue.

Strong demand from a broad range of investors helped the spread to tighten to 28 basis points at the end of trading yesterday.

Although British Gas is now rated AA2 by Moody's and AA+ by Standard & Poors, after losing AAA status, the name is still regarded favourably, partly because it is a utility. The launch spread of 30 basis points offered a pick-up over existing 15-year deals for the Gefco, the UK export agency trading at 20 basis points over the comparable gilt and KFW, the German development agency, at a spread of 16 basis points.

Marks and Spencer's £150m five-and-a-half year issue also met strong demand, attracting both institutional and retail investors. At a yield spread of 25 basis points over the comparable gilt – though the extra six-months maturity provides an additional saving for the borrower – the issue was not priced particularly generously. However investors are prepared to pay a premium for the oame, because of its rarity value. The proceeds are swapped into floating-rate sterling and will be used to refinance a five-year issue launched in 1988 – the company's last foray into the sterling sector.

The spread tightened slightly to 23 basis points, according to lead manager S. G. Warburg.

Elsewhere, a handful of dollar issues emerged, including a $500m issue for KFW International, arranged by Deutsche Bank. The City of Kobe's long-rumoured 10-year deal also emerged.

In the floating-rate note market, Italy added a further $500m to Monday's $1.5bn issue, while the Bank of China launched its expected $200m five-year deal via CSFB.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
KfW International Finance	500	5.875	99.208R	Jun.2000	0.3R	+23 (5¼%-00)	Deutsche Bank London
Republic of Italy(a)‡	500	(a)	99.75R	Jun.1998	0.2R	-	Morgan Stanley Intl.
City of Kobe	240	6.375	99.62R	Jul.2003	0.325R	+27 (4½%-03)	Bank of Tokyo Cap. Mkts.
Bank of China‡	200	(b)	100R	Jul.1998	0.3R	-	CSFB
Daiwa Rakuda Industry(c)ф	85	1	100	Jun.1997	2.25	-	Daiwa Europe
BNDES	60	9.375#	99.59R	Jun.1998	1.0R	-	ING Bank
MMC Intl. Finance (Neths.)	50	6	100.25R	Jun.1998	0.25R	+58 (5⅝%-98)	Mitsubishi Finance Intl.
FRENCH FRANCS							
SNCF(d)	3bn	7.75	102.37R	Mar.2002	0.325R	+23 (8½%-02)	Banque Paribas
STERLING							
British Gas	250	8.875	99.918R	Jul.2008	0.5R	+30 (9%-08)	S.Montagu/ Salomon Bros.
Marks and Spencer Finance	150	7.375	98.69R	Dec.1998	0.25R	+25 (7¼%-98)	SG Warburg Securities
AUSTRALIAN DOLLARS							
R&I Bank Western Australia	100	7.75	100.95	Jul.2000	2	-	Hambros Bank
DANISH KRONER							
Finance for Danish Industry	300	7.125	101.75	Jul.1998	1.875	-	Unibank
SWISS FRANCS							
Shinko Electric Inds.(c)*ф	180	0.875	100	Jun.1997	-	-	Credit Suisse
Japan Fin. Corp. Mun. Ents.	150	4.75	101	Jul.2003	-	-	Swiss Bank Corp.
Union Industrielle de Credit	100	5.125	101.75	Jul.1999	-	-	Coutts & Co.
ABB International Finance	100	(e)	100	Jul.1998	-	-	SG Warburg Securities

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. фWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on Monday was increased to $2bn. Coupon pays 3-month Libor + 0.25%. Callable on any interest payment date from June 1996 at par. b) Coupon pays 6-month Libor + 0.5%. c) Final terms fixed on 15/6/93. d) Fungible with the outstanding FFr3bn. Plus 131 days accrued interest. e) Coupon reset annually: formula = ½ of the upward performance of BBC Brown Boveri bearer shares. Maximum coupon 12%.

Woolworths to lead activity with A$2.4bn offering

By Sara Webb

THE international capital markets continue to show a steady stream of international equity offerings and equity-linked deals from corporate names around the globe.

Woolworths, the Australian retailer, will open its A$2.4bn share issue to the public tomorrow, with the shares expected to be priced at between A$2.15 and A$2.45.

INTERNATIONAL EQUITY ISSUES

Meanwhile, investment bankers expect the heavy flow of issues from Latin American to continue. While investors are focusing on the sale of 35 per cent of YPF, the Argentine state-owned oil group, other names are expected to tap the markets, possibly before the summer holiday season.

Market sources said that Grupo de Desarrollo Mexicano, a large Mexican construction company, is expected to announce an initial public offering (IPO) to raise about $250m.

Another Mexican construction group – Tribasa – is also understood to be considering raising funds in the international capital markets.

Investment bankers claim there are several possible deals emerging from Asia, with Samsung Electronics of Korea expected to launch a $150m Global Depositary Receipts issue soon.

In the Euro-convertible bond sector, Goldman Sachs launched a $150m deal for Home Stake Mining, the North American mining company. The proceeds will be used to refinance existing bank debt. The seven-year convertible bonds have a coupon of 5.5 per cent.

French yield spread narrows to new low at long end

By Peter John in London and Patrick Harverson in New York

THE FRENCH government bond market continued to rally yesterday, closing the yield spread over Germany still further. The 10-year yield spread moved down to an all-time low of 23 basis points over the comparable German bond, down from 27 basis points previously.

Comments from Mr Hans Tietmeyer, vice-president of the Bundesbank, to the effect that France could happily accommodate lower interest rates were compounded by positive comments from Mr

GOVERNMENT BONDS

Edmond Alphandery, the French economy minister.

He said the franc was "running like a dream". He foresaw further German rate cuts and said French interest rates could settle well below German levels and close to Dutch and Belgian rates.

Financial analysts said bond prices were driven by the stronger franc, which in turn responded to confidence in the French economy compared with the German economy. Mr Kit Juckes, an economist at S. G. Warburg Securities, said: "The maturity at which French rates are moving below German rates is drifting along the yield curve."

June futures on the Matif rose 42 points to 117.72 on heavy turnover and continued to move higher in after-hours trading.

■ RELIEF over the success of the latest DM3bn Treuhand bond issue and speculation that the Bundesbank might announce a slightly lower repo rate today prompted a recovery in the German government bond market.

The September bund futures contract opened at 94.12 and rose 0.22 to 94.34 on hope that the repo rate, which has remained at 7.6 per cent for the past month, will edge downwards. Economists believe that the relatively high liquidity of the commercial banks will give the Bundesbank leeway to ease.

■ SPANISH government bonds continued their post-election rally with strong buying interest – notably from foreign investors – concentrated on the longer maturity bonds. Dealers said yields fell across the curve following Sunday's election victory by the Socialists. They said the strength of the peseta would provide room for further interest rate cuts.

The 13.45 per cent bond due 1996 rose from 107.35 to 107.65, while the 10.90 per cent bond due 2003 rose from 98.05 to 98.75.

■ THE ITALIAN government bond market gained on hopes that an interest rate cut in Germany would pave the way for further easing in Italy. The September Liffe futures contract was propelled to a high of 100.10, up from its recent 99.65-99.75 trading range.

■ IN the UK, gilts traded in a tight range but closed steady as the Bank of England announced that its three most recent issues had been taken up.

The Bank said a tranche of 7¼ per cent Treasury stock due 1998, an issue of 9¾ per cent stock due 2002, and a tranche of 9 per cent Treasury stock due 2012, each worth £200m, were also sold out yesterday.

The September long gilt futures opened at 103.24, slipped 7 basis points, and then recovered to close at 103.23.

■ JAPANESE government bond prices were driven higher by the strength of the Yen, which reached an all-time high against the dollar in overseas trading. The rises pushed the yield of the benchmark No 145 JGB down from Tokyo's close of 4.525 per cent to 4.505 per cent in London trading.

■ US TREASURY prices were mixed across the maturity range as dealers and investors traded cautiously ahead of inflation news.

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at 102$\frac{5}{8}$, yielding 6.885 per cent. At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{32}$ at 99$\frac{31}{32}$, to yield 4.258 per cent.

Attention is fixed on the inflation picture, which should become clearer on Friday when the May producer prices index is released. Analysts are expecting an increase of no more than 0.2 per cent in the PPI, which would be bullish for Treasuries.

FT FIXED INTEREST INDICES

	June 8	June 7	June 4	June 3	June 2	Year ago	High*	Low*
Govt.Secs.(UK)	95.02	94.98	95.18	95.11	95.04	88.86	96.04	93.28
Fixed Interest	110.84	111.13	111.71	111.55	111.32	104.53	113.83	106.87

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (5/6/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	June 7	June 4	June 3	June 2	June 1
Gilt Edged Bargains	77.1	88.6	90.8	93.1	87.0
5-Day average	88.0	91.1	90.0	89.1	90.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	111.8294	-0.377	7.79	7.74	7.52
BELGIUM		9.000	03/03	111.2000	+0.100	7.35	7.39	7.48
CANADA *		7.250	06/03	97.2500	-0.300	7.65	7.49	7.51
DENMARK		8.000	05/03	104.0500	+0.450	7.41	7.55	7.77
FRANCE	BTAN	8.000	05/98	105.8041	+0.124	6.57	6.79	6.72
	OAT	8.500	04/03	109.5800	+0.480	7.11	7.28	7.20
GERMANY		6.75	04/03	99.1650	+0.245	6.87	6.90	6.80
ITALY		11.500	03/03	98.0600	+0.465	12.18†	12.38	12.58
JAPAN	No 119	4.800	06/99	101.8653	+0.072	4.41	4.47	4.32
	No 145	5.500	03/02	108.3288	-0.432	4.49	4.55	4.46
NETHERLANDS		7.000	02/03	101.9200	+0.240	6.71	6.71	6.68
SPAIN		10.300	06/02	97.3344	+0.494	10.77	11.06	11.81
UK GILTS		7.250	03/98	100-21	-	7.08	7.11	7.07
		8.000	06/03	99-28	+1/32	8.02	8.09	8.06
		9.000	10/08	105-04	+1/32	8.40	8.49	8.44
US TREASURY *		6.250	02/03	101-11	+6/32	6.06	6.11	5.91
		7.125	02/23	103-00	+4/32	6.88	6.93	6.85
ECU (French Govt)		8.000	04/03	103.8700	+0.420	7.48	7.55	7.72

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy eases rules on savings instrument

By Haig Simonian in Milan

THE Bank of Italy yesterday moved a step further in its liberalisation of money market instruments by relaxing rules on issuing certificates of deposit.

Separately, the treasury announced it would issue L2,857bn in new five-year floating-rate notes to repay some of the "frozen" tax credits due to Italy's biggest banks and companies.

The changes to the rules on one of Italy's most popular savings instruments will benefit both bank issuers and investors. Opportunities for savers will be increased as banks will be able to issue CDs in foreign currencies, rather than just lire, or the domestic currency indexed to foreign currencies.

The minimum size of individual certificates will be reduced to L1m from L5m, broadening the appeal. Moreover, banks will be given much greater flexibility on interest rates paid, with the possibility of paying different coupons for certificates of similar maturity, depending on their size.

The liberalisation also directly benefits banks. The Bank of Italy has eased the conditions on reserve requirements for CDs, which earlier this year were lowered to 10 per cent of banks' holdings from 17.5 per cent. The rate of interest on the obligatory reserves of CDs will also be increased from 5.5 per cent to 8.5 per cent.

The rules regarding obligatory reserve requirements on CDs with shorter maturities, treated as cash, have already been eased.

The tax credits repayment will benefit the big ENI state energy and chemicals group in particular. It will receive about L800bn in new floating-rate notes, while more than L600bn is due to the IRI state holding company.

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MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	29	8	42
Other Fixed Interest	1	5	9
Commercial, Industrial	330	222	849
Financial & Property	211	74	515
Oil & Gas	19	17	48
Plantations	0	1	7
Mines	14	48	77
Others	34	57	37
Totals	638	432	1,584

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

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b Figures based on prospectus estimates. H Figures based on IMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. ‡ Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 1
- Last Dealings June 11
- Last Declarations Sep. 2
- For settlement Sep. 13

3-month call rate indications are shown in Saturday editions.

Calls in ASDA, Avesco, Chloride, Dunhill, Ferranti and Utd. Energy. Puts in Phonelink and Proteus Intl.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

June 0 Total Contracts 18187
Calls 9621 Puts 8566
FT-SE Index Calls 827 Puts 1744
Euro FT-SE Calls 236 Puts 188
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Jun 8	Day's change %	Mon Jun 7	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	128.16	+0.02	128.13	2.48	4.26
2	5-15 years (22)	146.50	+0.07	146.58	2.28	5.85
3	Over 15 years (10)	157.00	+0.12	156.81	2.28	4.40
4	Irredeemables (6)	175.69	-0.01	175.71	1.30	6.39
5	All stocks (64)	143.28	+0.06	143.28	2.37	5.09
	Index-Linked					
6	Up to 5 years (2)	184.57	+0.01	184.55	0.90	1.82
7	Over 5 years (11)	174.06	+0.01	174.04	1.31	1.72
8	All stocks (13)	174.36	+0.01	174.34	1.25	1.76
9	Debs & Loans (64)	128.20	+0.19	127.95	2.23	4.83

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 8	Mon Jun 7	Year ago (approx.)
	British Government				
1	Low	5 years	7.13	7.13	8.14
2	Coupons	15 years	8.05	8.06	9.00
3	(0%-7¾%)	20 years	8.27	8.28	9.00
4	Medium	5 years	7.36	7.38	9.25
5	Coupons	15 years	8.42	8.44	9.09
6	(8%-10¾%)	20 years	8.53	8.54	9.06
7	High	5 years	7.57	7.57	9.46
8	Coupons	15 years	8.69	8.70	9.29
9	(11%-)	20 years	8.74	8.75	9.23
10	Irredeemables(Flat Yield)		8.62	8.61	9.22
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.98	2.97	3.97
12	Inflation rate 5%	Over 5 yrs.	3.57	3.57	4.33
13	Inflation rate 10%	Up to 5 yrs.	2.26	2.26	3.29
14	Inflation rate 10%	Over 5 yrs.	3.40	3.39	4.16
15	Debs &	5 years	9.03	9.06	10.49
16	Loans	15 years	9.41	9.43	10.32
17		25 years	9.54	9.56	10.21

Confident Unigate achieves £101.4m

By Maggie Urry

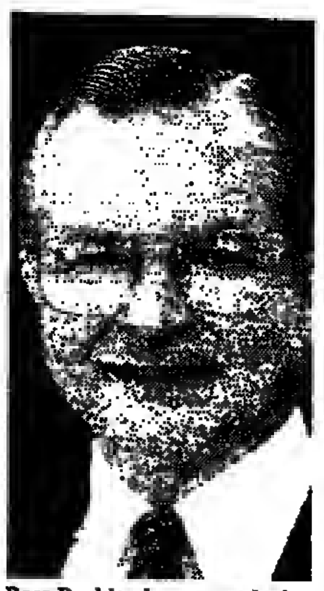
UNIGATE, the food and distribution group, is increasing its dividend for the first time in three years, a "clear signal of our confidence," Sir Brian Kellett, chairman, said. Mr Ross Buckland, chief executive, said "we do see the first indication of a gradual but real UK economic recovery."

The group reported pre-tax profits of £101.4m for the year to end-March, up from £65.7m, restated for FRS 3. But excluding exceptionals the rise was more modest, from £92m to £97.9m. The shares rose 20p to 355p.

A final dividend of 10.4p is proposed for a total of 16.1p (15.3p) up 5.2 per cent. Earnings per share rose from 23.4p to 31.3p, though the underlying rise is from 27.3p to 29.8p.

The figures are complicated by the move to FRS 3, which substantially reduces the 1992 profits as they include losses from discontinued businesses, notably the JP Wood poultry operation sold in February 1992, which were previously set off against provisions.

Unigate's figures benefited from a £4m pension credit, although this will reduce to £3m in future years as employees' contributions are being reduced.



Ross Buckland: progress had been made in reshaping group

Mr Buckland said that after acquisitions totalling £152m and disposals of £73m in the last 18 months there had been significant progress in reshaping the group.

He said that the decision to postpone the US flotation of the Black-eyed Pea restaurant chain did not raise concerns about gearing, now more than 60 per cent, as interest cover would still be over 5 times.

The sale is expected to go ahead in about a year's time, unless a trade buyer makes an offer meanwhile.

Operating profits from continuing businesses rose from £88.9m to £92.7m, including the pension credit. Associates, mainly the Nutricia baby food business, rose from £13.7m to £14.4m, but this was because of the fall in sterling and an increase in Unigate's shareholding. Interest charges fell from £13m to £9.4m.

Operating profits from dairies rose 5.9 per cent to £30.4m despite a 5.7 per cent fall in sales to £363m. Unigate cut out lower margin business and benefited from cost cutting and capital spending.

Fresh food profits fell from £19.9m to £16.8m. Mr Buckland said levels of competition had been unprecedented and marketing spend had increased. Farm foods, such as bacon and turkeys, increased profits from £6.6m to £7.5m, and the US restaurants made £14.3m (£13.3m) despite a £1.2m provision for the closure of 4 restaurants.

Wincanton, the distribution business, raised profits from £12.8m to £15.4m. Vehicle sales and service profits were £4.4m (£3.7m) and Giltspur, the exhibitions business, made £4.6m (£4.9m).

See Lex

De La Rue in £30m Brazilian disposal

By Andrew Bolger

DE LA RUE, the security printer and cash-handling machine group, has disposed of its Brazilian subsidiary to the United States Banknote Corporation for $45m (£30m).

The group has also ended a cross-shareholding arrangement with American Bank Note Holographics, a USBC subsidiary, in a deal which will bring the UK group a further $15m.

USBC is, through its subsidiaries American Bank Note and American Bank Note Holographics, the largest private sector security printer in North America and the largest producer of holograms for security applications worldwide.

The Brazilian company, TDLR, has operations in both Rio de Janeiro and São Paulo and supplies cheques, financial cards and other security documents to the local Brazilian markets.

The deal gets De La Rue out of the volatile Brazilian market, which has been plagued by high inflation and consequent difficulties in establishing the quality of earnings.

De La Rue said the Brazilian company did not form an integral part of its global security business and was not involved in the production of currency. The UK group intends to continue supplying currency, passports and other high-security documents to South and Central America, but these will be produced elsewhere and paid for in hard currency.

De La Rue has also agreed to unscramble a deal agreed in 1989 whereby a group subsidiary, De La Rue Holographics, entered into a licence agreement with American Bank Note Holographics. De La Rue and USBC also exchanged 20 per cent interests in their respective hologram operations, at a net cost to De La Rue of $10m.

Both companies said they now felt the arrangement had served its purpose and that it was appropriate to terminate the cross-holdings and enter a simplified licence agreement.

Margins eroded at Allied Colloids

By Richard Gourlay

ALLIED COLLOIDS, the speciality chemicals company, lifted profits to £44.4m last year but robust growth in sales was marred by lower operating margins.

The company expected recovery would "begin very gradually in the major economies" but that it could maintain its sales growth at the much improved levels.

Pre-tax profits in the year to end-April rose from £42.1m on sales up nearly 16 per cent at £295m. After stripping out a small acquisition and the effect of currency movements, organic sales growth was 11 per cent.

Administrative costs rose at an underlying rate of 12 per cent. This included a 71 per cent increase in insurance premiums after the fire at Bradford in July last year. In 1994 the rate will more than double from this higher rate of £2.4m to £5.4m.

Earnings per share during the year fell from 12.3p to 11.36p after a jump in the tax charge but the company is to pay a final dividend of 3.35p, giving a 10 per cent increase for the year to 4.29p.

Mr Gordon Senior, finance director, said the group was well aware of the pressure on margins. One of the problems had been that the group had born during the year much of the cost of registering chemical processes in accordance with new environmental controls.

The partial recovery of sterling and the effect of more favourable currency hedges should begin to help build margins again soon, some analysts believe.

Capital spending increased from £16.9m to £21.1m. Nevertheless, cash balances rose £8m to £23.7m. Net assets rose from £145m to £169m.

● COMMENT

Allied Colloids has again shown its ability to grow sales organically. Recession may have slowed the growth from the 20 per cent levels it achieved in the 1980s but judging by the progress in the last half, the company has not lost the knack of selling. A worrying development, however, is the erosion of operating margin as overheads have grown. A part of this relates to higher insurance premiums; part from increased raw material costs, following sterling's devaluation, that could not be passed on. But there is also a more permanent increase in the cost of running a chemicals business with tighter environmental controls. The trick for Colloids is to prove overheads have not moved on to a permanently higher level. This year the company should make pre-tax profits of about £50m, or earnings of 12.6p, giving a prospective multiple of over 17. The premium may be justified by the quality of organic growth, but Colloids is not the kind of stock likely to excite for the moment now that the market's attention is firmly on recovery.

Confusion surrounds ownership of Alpine assets

By Peggy Hollinger and Catherine Milton

THE receiver for Alpine (Double Glazing) is trying to sell the company amid confusion over who owns some of the company's assets.

Mr Grant Jones, of accountants Morison Stoneham, said yesterday he was investigating claims to some of the assets by Finchfleet.

The Guernsey-based company claims to have bought Alpine's plant, machinery and office equipment in March 1992, one month after the company was purchased out of administration with backing from Mr Clive Smith, the Midlands entrepreneur with offshore interests.

Mr Jones said: "I have become aware of a potential claim by Finchfleet to some of the assets. I am closely scrutinising this claim and will take appropriate legal action." Mr Jones said Finchfleet had not contacted him.

In a letter dated March 30 1993 to Mr Robin Speirs, Alpine's chief executive, Mr Michael Macey, Finchfleet's director, wrote: "I must make it absolutely clear that all plant and machinery and all office equipment is owned by this company pursuant to our Agreement with yourselves of the 20th March 1992."

The letter threatens legal action against "any party" attempting to gain assets.

Mr Jones said Alpine had a "substantial" order book. One of his main concerns would be to ensure that these orders were fulfilled by achieving a going-concern sale of the business.

Southend Property in £24.4m placing

By Vanessa Houlder, Property Correspondent

SOUTHEND Property Holdings yesterday joined in the spate of fund raising by property companies with the announcement of a £24.4m placing and open offer of 8 per cent convertible unsecured loan stock at 100p per unit.

The company said that the issue would put it in a position to take advantage of acquisition opportunities.

The issue was accompanied by the announcement of a forthcoming cut in its dividend from 4.25p this year to 2.4p for the year to the end of March 1994.

The company said the decision to reduce the payment stemmed from the decline in its profits following the partial divestment of its non-core activities. The cut in dividend would also reduce the amount of irrecoverable advance corporation tax payable on future dividends.

Mr Malcolm Dagul, chairman, and associated interests which together represent 22.6 per cent of the share capital, will not subscribe for their entitlement to £5.2m nominal of stock under the open offer.

The stock may be converted on the basis of 117.647 shares per £100 nominal of stock in any of the years 1998 to 2020 at 85p per share. The terms represent a conversion premium of 3.5p per share, compared to Monday's share price.

The offer has been made by Paribas on behalf of Southend.

Sims shares fall 53p on warning prompted by rising beef prices

By Peter Pearse

SHARES IN Sims Food Group tumbled 53p to 129p yesterday as the meat processor and supplier announced that profits before exceptional items and tax in the year to March 31 would be about £6m. Last time operating profits rose 19 per cent to £11.3m.

Sims also revealed that there would be non-recurring exceptional charges of £6.5m, which would result in pre-tax losses of about £500,000 were the company to decide to adopt FRS 3 accounting practices.

The annual dividend will be reduced from 11.25p to 7.5p with a final of 4.5p, "a level of coverage we can live with and grow upon", according to Mr Brian Ford, chief executive.

Yesterday Mr Ford said that although beef prices to the consumer had risen by only 7.5 per cent since January, cattle prices were up to 25 per cent higher, and were not expected to fall in the next two to three months.

It was this more than anything else which prompted the warning, he said. In the same period, lamb prices grew by up to 60 per cent, but they had fallen off a little in the past two or three weeks.

Mr Ford also said that the impact of sterling's devaluation was first felt in January since when "UK beef and lamb has been very cost attractive to mainland Europe". Some 33 per cent of all beef in 1993 will be exported, thereby contributing to a shortage of supply.

In the catering division, three out of 11 plants had been closed and all the fresh meat operations were being reviewed. Some £4.8m of the provision relates to this with the balance of £1.7m to cover the costs of closing non-core activities.

Due diligence led to Clydesdale postponement

THE FINAL profits figures which led to the last-minute postponement of the flotation of the Clydesdale electrical goods retailer were arrived at last month after Coopers & Lybrand, Clydesdale's auditors, carried out their annual audit and the due diligence for the flotation prospectus.

Mr Jim Boyd, Clydesdale's finance director, said that Clydesdale had suffered from reduced margins in a price war between electrical retailing groups in the first quarter of 1993.

"On cold analysis the figures were not rich enough to float the company on a rating that our shareholders deserved."

Mr Boyd acknowledged that the pre-flotation audit "does lead to scrutiny of [a company's] accounting practices." But Clydesdale's accounting practices on valuing its stock and on write-offs on the cost of opening new stores were "clear".

He said NatWest Securities' operating profits forecast ought to have been about £6.5m to make it comparable with the previous year.

The forecast had included about £450,000 of interest received from Clydesdale's insurance subsidiary, and that interest payable should have been reduced by the same amount.

He said Clydesdale would almost certainly have to wait until next year for another attempt at flotation. It would want to include the busy Christmas trading period.

The flotation would have raised £30m.

COMPANY NEWS: UK

Carpetright to float with £113.6m value

By Maggie Urry

CARPETRIGHT, Sir Phil Harris's carpet retail chain, has set its flotation price at 148p, valuing the group at £113.6m. MFI Furniture Group, which has a 20 per cent stake, will sell all its shares in the float, raising £21.5m.

The sale price was at the top end of expectations with the shares being sold on a pro forma historic p/e of 21.8, a premium to the retail sector which itself is rated above the market average. The yield is 3.37 per cent, on an indicated dividend of 3.89p covered 1.75 times by the pro forma earnings per share for the year to May 1 of 6.8p.

The float involves a placing of 39.16m shares with institutions and a public offer of 13.7m shares. Of the shares being sold, 32.4m come from existing shareholders. As well as MFI, directors and connected parties are selling 4.7m shares and venture capital backers are also selling.

The company is issuing 6.76m new shares, raising £8.9m which will repay its preference shares.

Mr John Randall, MFI finance director, said it was not considered appropriate for MFI to hold shares in another public company.

He said the cash would be used to cut debt of £75m on which MFI was paying interest at about 7.5 per cent. However, it had treated Carpetright as an associate, and the share sale would be dilutive until the money was reinvested.

The public offer closes on June 16 and first dealings start on June 23.

● **COMMENT**

Although the price looks high, Carpetright's fast growth rate will bring the p/e down, and the flotation should go well. Analysts are looking for about £10.5m pre-tax in the current year, up from £7.8m, cutting the p/e to 16. But there are doubts, not least the high level of selling by existing holders. Carpetright is essentially a clean, debt free, one-product business - all points in its favour. But growth in the UK runs out in three years. It must then find a new avenue for expansion or become an income stock. Then Sir Phil's determination to resist the temptations that led him astray last time will be tested.

Internal reforms and adoption of more cautious lending policies showing through

Nationwide cuts cost income ratio to 48.1%

By John Gapper, Banking Correspondent

Pre-tax profits at Nationwide Building Society, the second biggest society by asset size, fell by 8.6 per cent to £184.6m in the year to April 4 after it raised provisions for bad debts by 40 per cent to cope with falling house prices.

Nationwide raised operating profits by 29 per cent to £566.5m (£437.8m) before what it counted as an exceptional restructuring charge of £52.6m to finance the closure of 80 estate agency branches and 650 redundancies.

It reduced management expenses to £524.5m (£539.1m), and cut its ratio of costs to income from 55.2 per cent to 48.1 per cent, not including restructuring costs.

Provisions for bad debts rose to £329.3m (£235.9m), while assets grew by only 2.6 per cent to £34.9bn from £34.1bn.

The society's ratio of capital to assets strengthened to 6.8 per cent, against 6.2 per cent last year.

THE PAST year has been one of difficulty and upheaval at Britain's second largest building society. But it has ended with Nationwide in rather better shape to rebut the critics who regard the £35bn-asset society as a lumbering giant that had to focus its efforts to survive in a harsher world.

The difficulties of the year encompassed personalities and commercial strength. Two of its most senior directors left during the year, while its ability to raise funds cheaply in wholesale money markets were affected by the downgrading of its short-term debt rating by Standard & Poor's.

The society also had to trade through one of the most difficult years in the UK housing market, as house prices in the south continued to fall, and interest rates rose. The result was to push 15 per cent of its borrowers into arrears, and at least 100,000 into holding "negative equity".

If Nationwide was a publicly-quoted company, shareholders might have been impatient over its performance since the merger with the Anglia Building Society in 1987. Even as a society that would have to agree to a merger, it is often mooted as a potential acquisition target for Lloyds Bank.

Yet Nationwide's results yesterday depict a society that has finally managed to reduce its ratio of costs to income to a respectable level. It also managed to strengthen its capital ratios without recourse to more than a single issue of £100bn subordinated debt during the year.

"Lots of people used to see Nationwide as a swimmer who was out of sight of the shore, and some doubted whether it could even swim, but it is a lot closer to dry land now," said Mr John Wriglesworth, analyst at UBS, yesterday.

It has made progress by concentrating on internal reforms while adopting more cautious lending policies. Assets hardly rose last year - from £34.1bn to £34.9bn. It adopted stricter lending criteria, and increased its net interest margin to 2.43 per cent from 2.21 per cent.

At the same time, it cut management expenses by reducing staff and closing 60 estate agency branches. Expenses fell by 2.7 per cent as it reduced staff by 1,500 – including 650 redundancies. This helped the cost income ratio to fall to 48.1 per cent, excluding restructuring costs of £52.6m.

Mr Tim Melville-Ross, chief executive, argued that the biggest upheaval in its 730-branch network is now over, but further cuts are likely in central administration. "Our administration is still cumbersome to a degree, and we can make changes in the long term to save money," he said.

A second immediate problem has been the society's exposure to the southern housing market. Its short-term debt downgrading by Standard & Poor's in December cited both its high cost base and its mortgage insurance which provided "stop loss" down to 80 per cent of original value.

Mr Alistair Dales, who became finance director during the year after the departure of Mr Daniel Hodson, the deputy chief executive, to head the London International Financial Futures Exchange, said the society had been making efforts to improve arrears to convince ratings agencies of its worth.

He said there had been a 5 per cent fall in the number of borrowers more than two months in arrears during the year. Mr Dales argued that its relatively high level of provisions relative to assets reflected both the southern bias of its lending and its policy of avoiding repossession.

Yet while the society shows signs of recovery, there is still some way to go. Although its ratio of tier 1 capital to assets – calculated by UBS – strengthened to 8.97 per cent compared with 8.38 per cent last year, its pre-tax return on capital fell to 11.9 per cent (12.5 per cent).

Mr Melville-Rosa acknowledged that shareholders might have become impatient with a public company that only performed to this level, but emphasised the improvements. "Because we are a mutual we have a bit more time, but that does not mean we are less determined to make progress."

National Grid expects to cut 450 jobs despite profits increase

By Michael Smith

NATIONAL GRID said yesterday it expected its workforce to fall this year by about 450 to about 4,900. The statement accompanied a 7.1 per cent rise to £533.2m in annual pre-tax profits on a historical cost basis.

On a current cost basis the pre-tax figure for the 12 months to March 31 improved 11 per cent to £350.5m (£314.5m).

Mr John Uttley, finance director, said the job losses were likely as part of a drive to cut 30 per cent from controllable costs from 1991-92 to 1996-97.

The target was set after a regulatory review resulted in National Grid having to cut transmission charges by 12 per cent over the next four years.

Mr David Jefferies, chairman, said he expected further efficiencies to result from the company's decision to put its wires, control centres and towers business into one unit, leaving the rest of the company to contract services to it.

Turnover improved 5.4 per cent to £1.39bn in spite of a slight decline in electricity demand to 264.8 (265.5) terrawatt hours.

Mr Jefferies said company strategy was to take expertise overseas, particularly in countries where there was a likelihood of the grid system being sold off.

In the UK, the company is laying 80km of fibre each week for its new telecommunications company and would be able to contact 70 per cent of potential customers in the UK by next March.

Profit growth was most marked in pump storage and interconnections, up 35 per cent to about £64m, but Mr Uttley indicated future growth would be less.

National Grid is jointly owned by the 12 regional electricity companies.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied Colloids	fin	3.35	Aug 27	3.02	4.29	3.9
Andrews Sykes	fin	3	Oct 4	3	4.4	4.4
Anglian Water	fin	14.3	Oct 1	13	21.1	19.3
BSS	fin	11.5	July 30	11.5	17.25	17.25
Burndene Invs	int	0.5	Sept 1	0.273*	-	1.183*
Capital Gearing	fin	0.43	June 30	0.4	0.43	0.4‡
CML §	fin	4.7	July 30	3.7	4.7	3.7
Devenish (JA)	int	1.625	July 16	1.5	-	7.85
Eurocopy	int	0.5	Sept 1	1.1	-	1.6
Gt Portland Ests	fin	6.6	July 14	6.6	10	10
IFG	fin	0.25‡	Aug 31	1.05	0.25	1.05
Marshalls	fin	2.75	Oct 1	2.75	4	5
Marston	fin	3.95	Aug 21	3.57	5.4	4.91
Matthew Clark	fin	10	Oct 5	9.25	16.75	15.75
Seton Healthcare	fin	4.1†	July 30	3.8	5.6	5.1
Unigate	fin	10.4	July 30	9.6	16.1	15.3
Vodafone	fin	3.53†	Aug 16	2.94	6.96	5.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Excludes special 0.8p. *Equivalent after allowing for scrip issue. ‡Irish pence.

Applied Holo sale

By Chris Tighe

APPLIED Holographics is to sell the non-holographic hot stamping foils business of Transfer All Purpose Foils, its wholly owned subsidiary, to Whiley Foils of Livingston, Scotland. Whiley Foils, a member of API Group, will make an immediate £450,000 payment for existing stocks, plus future phased payments depending on how successfully the business transfers from TAPF's Washington, Tyne and Wear, base.

Brand acquisitions help Seton Healthcare to £6m

By Andrew Bolger

SETON Healthcare, the medical products and sports equipment group which has expanded rapidly since coming to the market two years ago, has turned in a strong growth in profits.

Under FRS 3, restated pre-tax profits for the year to February 28 increased from £2.84m to £6.1m, but last year's figure was depressed by an exceptional charge of £1.49m.

Adjusting for the exceptional losses, profits growth was 41 per cent.

Turnover rose by 4 per cent, from £37.2m to £38.6m. The group said operating profit as a percentage of sales had increased from 13.7 to 17.1 per cent and a further improvement was predicted.

Seton's acquisition focus has been on over-the-counter brands, which now account for more than 25 per cent of sales. Four acquisitions – Mycota, Betadine, Cupal and Crookes – were completed during the year at a total cost of £14.2m.

The healthcare division's sales increased by 6 per cent to £33.6m. Taking account of acquisitions and and disposals, its underlying organic growth rate was 8 per cent, and operating profits rose from £4.54m to £5.98m. The group said the brands acquired had helped it to become one of the top 10 companies in terms of OTC sales to UK pharmacies.

The sports and leisure division's sales dipped from £5.56m to £5m, but its operating profits were 7 per cent higher at £605,000, which Mr Iain Cater, Seton's chief executive, described as an outstanding performance.

Adjusting for the exceptionals, earnings per share rose by 28 per cent to 16.3p (12.7p). A final dividend of 4.1p (3.6p) gives a total for the year of 5.8p (5.1p).

● **COMMENT**

These results maintain Seton's impressive track record. The increased profitability partly reflects the group's move towards higher-margin OTC products, but also shows the benefits of increased economies of scale in manufacture and distribution. The sports business – selling shin guards and goalkeeper's gloves – is also well placed for any recovery in spending. However, the group now has quite a lot to digest, and will invest £4m-£5m in a new facility in Oldham over the next two years. Forecast earnings of £8.1m put the shares on a prospective multiple of 19.5. That looks up with events, particularly since the company will not hesitate to come to the market to fund further acquisitions.

Disposal and lower interest charges prop up Marshalls

By Paul Taylor

THE SALE of a large landfill site coupled with sharply reduced interest costs helped Marshalls, the Halifax-based building materials group, report flat full-year pre-tax profits yesterday despite a 24.9 per cent decline in operating profits.

The proposed final dividend is cut by 1p to 2.75p, making a reduced total of 4p (5p).

The company said that was to reflect the lower operating profits and to conserve cash for the planned capital expenditure programme and new acquisitions.

Pre-tax profits in the year to March 31 edged up to £12.4m (£12.3m) on turnover which fell to £169.5m (£174.4m) reflecting difficult market conditions.

Earnings per share slipped to 3.93p (3.99p).

Operating profits from continuing operations fell to £12.4m (£16.6m) reflecting what Mr Andrew Marshall, chairman, described as "the great pressure on margins".

The core concrete, stone and flooring business reported profits before interest of £12m (£13.3m) on turnover which declined to £128m (£131m) including £6m from flooring operations.

Sales of concrete and stone products were down 2 per cent and profits fell by 9 per cent.

Clay products were also affected by severe trading conditions in the brick industry with high national stocks forcing down margins which led to capacity reduction – including a 14 per cent cut in the work force – in November. Sales fell by 10 per cent resulting in a marginal profit of £300,000 compared with profits of £2.9m.

The steep decline in overall operating profits was, however, offset by the £2.74m (£862,000) proceeds from the sale of an infill site, and lower interest charges of £2.75m (£5.1m), mainly reflecting a sharp reduction in borrowings following the group's £20m rights issue a year ago.

Year-end net borrowings stood at £21.3m (£41.3m) representing gearing of 18.3 per cent, down from 42.6 per cent a year earlier.

Capital expenditure was held at £5.7m during the year with several projects deferred until this year when £12m of capital expenditure is planned reflecting "the clear opportunities for profitable organic growth."

BSS down 35% as Cadel integration takes its toll

By Roland Rudd

BSS GROUP'S acquisition last year of Cadel, a rival loss-making domestic heating supplier, was partly responsible for a 35 per cent fall in pre-tax profits for the year ended March 31.

The UK's second largest distributor to the domestic heating market reported pre-tax down from £10m to £6.5m. Sales roseto £243.7m (£209.2m).

Mr Ian Philipps, chairman, said: "The extreme weakness in the markets which we serve continued to affect the final figures. We expect the first signs of an upturn to reach us a little late in the business cycle."

Group profits were adversely affected by the integration of Cadel.

Difficulties with its integration contributed to the domestic market division's operating loss of £712,000 compared to £1.24m profits on sales of £94m (£55.1m). Turnover included nine months of sales from Cadel.

The main industrial and commercial side reported operating profit of £9.96m (£12.1m) on sales of £149.8m (£154.1m).

After the Cadel acquisition and the £18.2m rights issue earnings per share fell from 31.1p to 16.7p.

The final is 11.5p, giving 17.25p (same).

Fine Art buys Galt for £13.5m

By Peter Pearse

FINE ART Developments, the mail-order and greetings cards group, is to expand in the educational supplies market with the acquisition of James Galt, the toymaker, for £13.5m cash.

Mr Keith Chapman, Fine Art chairman, predicted there would be many synergies between Galt and his company's Hope Education.

Established in 1836, Galt manufactures and supplies teaching aids and play materials. It also supplies local authorities with playground equipment. Customers choose and order from catalogues. However, the company is probably best known for its quality wooden items to be found in most UK retailers which stock toys. Mr Chapman said it had sales worth about $5m-$6m (£3.2m-£3.8m) in the US and Canada.

In the year to February 28 Galt achieved pre-tax profits of £1.4m and net assets on completion will be no less than £4.25m.

Eurocopy up to £1.22m aided by cost-cutting

By Catherine Milton

COST-CUTTING helped Eurocopy, the office equipment distributor which last year underwent an enquiry by the Office of Fair Trading, improve interim pre-tax profits from £721,000 to £1.22m.

Turnover for the six months to end-March fell to £13.7m (£13.4m) as recession continued and the company stopped discounting to achieve sales.

Mr Michael Armitage, finance director, said: "We feel we are at sufficient distance from the horrible events of last year that we can resume our policy of seeking out quality business at fair prices." The OFT decided not to revoke the company's licences following assurances about some of its business practices.

Eurocopy said demand for photocopying equipment remained "extremely weak"; there had also been a further 6 per cent fall in usage with the number of copies falling to 90m per month.

Service revenue accounted for £9m (£10.3m) of turnover, machine sales halved to £3.3m (£6.6m).

The group spent £1.4m (£2.4m) releasing customers from contracts where it had found evidence of bad practice, out of a £10.5m provision made last year.

Eurocopy was continuing its £7m legal action against Sketchley, relating to the 1989 purchase of photocopier dealer Equipu.

The interim dividend is 0.5p (1.1p) as the policy resumed of paying a third at the half year and two thirds at the year end. Earnings were 1.68p (1p).

Currency upheavals cut IFG

Upheavals in currency and interest rate markets contributed to 1992 pre-tax profits falling by 39 per cent from I£1.09m to I£663,000 (£656,000) at IFG Group, the Dublin-based financial services company.

Exceptional charges took I£124,000 (I£237,000).

Earnings were 1.47p (3p) and a nominal single final dividend of 0.25p (1.05p) is proposed.

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COMPANY NEWS: UK

£12.9m rights enables expansion without hurting balance sheet

Matt Clark buys Freetraders

By Philip Rawstorne

MATTHEW CLARK, the British wines and mineral water group, yesterday announced a £12.9m rights issue to fund the acquisition of Freetraders Group, a leading drinks wholesaler.

Freetraders, which recorded a 45 per cent increase in sales last year, mainly to independent pubs, restaurants and hotels in southern England, will complement Matthew Clark's wholesaling operations in the take-home trade.

Clark, which yesterday also announced a 16 per cent increase to £5.3m in profits for the year to April 30, will pay £12.8m for 74.9 per cent of Freetraders, including Devenish's 30 per cent stake and Swiss Bank Corporation's 20 per cent holding.

It will provide an additional £5.8m towards repayment of the company's existing debts from a new £7m bank facility.

The 4-for 9 rights issue, fully underwritten by BZW, will be at 320p a share, a 185p discount to yesterday's close of 405p, unchanged.

The remaining 25.1 per cent of Freetraders, owned by its management, and a 49.9 per cent minority interest in its Francis of Guildford subsidiary, will be acquired over the next two years. The price will depend on the company's performance but will be subject to a maximum aggregate of £16m.

Freetraders, reported an operating profit of £2.3m on turnover of £39.4m in the year to September 30 1992.

Mr Peter Aikens, Matthew Clark's chief executive, said the rights issue would enable the group to continue to expand its business without weakening a strong balance sheet.

"The group is well positioned for further development," he said.

In "another year of difficult trading conditions," earnings per share expanded 8 per cent to 36.2p. A final dividend of 10p lifts the total to 16.75p, an increase of 6 per cent.

Operating profits rose from £4.41m to £5.36m on turnover, net of duty, 5 per cent higher at £42m.

The group's share of the expanding British sherry market, in which it owns the brand leader, Old England, continued to grow, and Stone's ginger wine performed strongly.

Strathmore bottled water, acquired in May last year, expanded distribution outside Scotland and contributed £460,000 to operating profits.

● COMMENT

The Freetraders acquisition looks a sound move for the group. It will bring some balance to the present overdependence of the wholesaling operations on multiple grocers and other take-home outlets. The free on-licensed trade is a fragmented and fast-growing sector which offers considerable opportunities; though as number two in the business, Matthew Clark will have to work harder to seize them. Having successfully restructured over the past three years as a producer of drinks brands, the strengthening of its wholesaling operations continues a coherent strategy of making the most of its limited resources.

Peter Aikens (left) and David Fisher of Freetraders: the deal will complement Clark's wholesaling take-home trade operations.

Recruitment widens Proteus loss to £3.55m

By Richard Gourlay

PROTEUS, the computer-aided molecular modelling company, reported increased losses of £3.55m in the year to end-March, but said it was making "exceptional" progress in its development programme.

Increased expenditure - including the cost of boosting the number of PhD's employed to 80 - led to an increase from the previous year's deficit of £2.41m, in line with the company's expectations.

This expenditure meant all scheduled work could be supported for the foreseeable future.

Losses per share rose from 10.86p to 13.52p.

Despite not making a profit since it floated on the Unlisted Securities Market in 1990, the share price has almost defied gravity, rising from a launch price of 84p to yesterday's 368p, down 11p.

This capitalises the company at over £100m, the largest of the blue sky high-technology pharmaceutical companies quoted in the UK that are yet to make a profit.

Mr Kevin Gilmore, chairman said there had been particular progress in HIV/Aids, DNA-binding drugs, fish fertility control, animal immunocastration and arthritis.

Shareholders had to date invested on faith and belief; but within 18 months to two years, the group should produce its first revenue streams, he said.

Within the next year the group would be forming joint ventures with large international companies for the marketing of the drugs coming through.

Among the first likely to come to the market were a diagnostic for Tuberculosis and one for BSE and scrapie in cattle and sheep respectively.

Mr Gilmore said the value of the potential markets these could serve was not reflected in the share price.

He added that six products were now heading for clinical trials or the veterinary equivalent.

Mr Gilmore said he would not hesitate to go back to the market to raise more capital if there was proper justification.

JA Devenish challenges Boddington to show hand

By Roland Rudd

JA DEVENISH, the West Country-based pub operator, yesterday challenged Boddington, its largest shareholder, to declare its intentions towards the company as it unveiled a 17.6 per cent increase in pre-tax profits for the half year to March 31.

Profits rose from £3.95m to £4.64m on increased sales of £41.4m (£30.4m).

The company also announced the sale of its 30 per cent holding in Freetraders Group, the drinks wholesaler, for £5.9m cash, with a further £1m of working capital to be repaid on September 30 1995.

The disposal will give rise to a £4m exceptional profit in the year-end results.

Mr Michael Cannon, chairman, said he continued to regard Boddington's decision to hold on to its 19.5 per cent stake as "hostile". The pubs, hotel and healthcare group made a failed bid for Devenish two years ago.

"We assume Boddington's strategy remains hostile towards us; it has had plenty of opportunities to sell its stake. If it is not hostile it should tell us what its intentions are," said Mr Cannon.

Following its decision to withdraw from wholesaling, Devenish has continued to expand its pub estate through acquisitions, mainly responsible for increased profits.

Capital expenditure of £7.4m is expected to increase during the second half of the year. Devenish has already agreed to buy another 10 pubs.

Trade in the managed and tenanted pubs in Cornwall has continued to be difficult. Weather permitting, the company expects an improvement on last year's second half.

Borrowings rose from £34.5m to £42m, representing gearing of 29.4 per cent.

The interest charge rose from £1.2m to £2m.

Earnings per share increased to 6.08p (5.26p). The interim dividend is raised to 1.625p (1.5p).

● COMMENT

It is difficult for Boddington to fault Devenish's strategy of focusing on pubs, not least because it first argued for it. But it will not have escaped Boddington's notice that operating profits from Devenish's existing pubs edged up by just £100,000 to £5m. With 60 per cent of its pubs based in Cornwall Devenish concedes that there was some truth in Boddington's jibe during its unsuccessful 1991 bid that Devenish issued a "weather forecast" instead of a profit forecast. To be fair to Devenish the seasonal factor is diminishing as it continues to expand its estate outside of the West Country. The sale of its 30 per cent stake in Freetraders will give it further opportunity to buy more pubs. With forecast full year pre-tax profits of £15m, the shares up 3p to 283p, are on a prospective multiple of 14.3. Given Boddington's continued interest in the shares, the slight premium to the market average must be justified.

Marston jumps to £20m

By Philip Rawstorne

DOUBLED marketing expenditure helped Marston, Thompson & Evershed, the regional brewer, lift pre-tax profits from £15.1m to £20.1m over the 12 months to March 27.

However, trading conditions for the industry continued to be difficult and the outcome, produced on an FRS 3 basis, included bad debt provisions of £2.5m, of which £1m was taken as an exceptional charge.

Advertising and promotional spending of £3.7m paid off with a 32 per cent increase in sales volumes of draught Pedigree, a substantial increase in canned Draughtflow Pedigree, and a 31 per cent rise in Low C sales.

Mr Michael Hurdle, chairman, said: "Our recent trading performance gives us confidence that our strategy of widening our distribution base, together with increased emphasis on building brands, will enable us to make further satisfactory progress," he said. "We have now ceased production of all products which have no genuine brand potential."

With some evidence of an upturn in consumer activity in the last few months of the year, operating profits rose from £15m to £21m on turnover ahead 10 per cent at £127.7m.

Overall beer volumes rose 3 per cent against a market decline of about 2 per cent. "Free trade has probably never been as competitive as it is now," Mr Hurdle said - though the company's business had not been directly affected by the national brewers' price war.

Managed pubs increased profits more than 30 per cent for the fifth consecutive year. Some £9.9m was invested in pub improvements and £2.2m was spent on acquisitions.

Volumes in tenanted pubs declined 5 per cent overall, but tenants on new six-year agreements achieved a 1.5 per cent increase in sales while those on the old agreement saw volumes fall an average 8 per cent.

Earnings per share before exceptionals rose to 17.66p (16.53p). A proposed final dividend of 3.95p makes a total of 5.4p (4.91p).

Ingham at £838,000

INGHAM, the worsted spinner and retailer of parts for British classic sports cars, reported pre-tax profits of £838,000 for the 15 months to March 31 on turnover of £11.2m.

That compared with losses of £152,000 on turnover of £4.83m for the previous 12 months when the company was concerned only with spinning.

During the period the company made two purchases and raised £6.4m in rights issues.

Earnings per share were 9.6p (losses 4.7p). There is no final dividend as 1.25p had been included in the second interim of 4.5p announced when the figures for the 12 months were reported. The total for the 15 months was 6p (3p).

NEWS DIGEST

CML gains ground in second half

CML Microsystems made up lost ground in the second half of 1992-93, producing pre-tax profits virtually maintained at £4.3m for the year to March 31.

The -result for this USM-quoted specialised electronic products group followed a declina of 9 per cent at the halfway stage and was aided hy a strong performance by the US semiconductor and UK traffic operations.

The dividend is lifted 27 per cent to 4.7p, payable from earnings of 15.15p (16.24p). The shares rose 7p to 258p.

Operating profits showed a 2.5 per cent gain on turnover ahead 9.7 per cent at £15.7m.

Automotive Prods returns to black

Automotive Products, which serves the car and aircraft industries and is owned by the Guthrie Corporation, a wholly owned subsidiary of BBA, returned to profits in 1992 with £16.2m pre-tax.

Previously the deficit was £1.1m after a £6.8m loss on sale and termination of husinesses.

Directors said there were isolated instances of huoyancy hut the long-term recovery had not materialised. Turnover moved up to £283.5m (£269.2m).

Hazlewood deals part of refocusing

Hazlewood Foods yesterday announced it had acquired Welten Snacks, the Holland-based frozen snack manufacturer. The purchase price was oot disclosed.

The group said Welten's product range of frozen, crumbed convenience/snack products would further strengthen the convenience food range of Advang, into which the company is to be integrated. Welten had net sales of £3.2m in 1992.

The announcement follows Hazlewood's sale last Friday of Luijckx Beheer for £14.2m cash.

Luijckx makes chocolate decorations and bakery items and is not considered a part of Hazlewood's current core husiness. In the year ended March 31 1993 it produced net profits of £1.4m on turnover of £9.4m.

The deals are part of Hazlewood's strategy to focus on its core businesses.

Continued growth at Murray Enterprise

Murray Enterprise reported a 64 per cent increase in net asset value to 204.96p per share over the six months to March 31. A year earlier the value was 129.6p.

The growth reflected a large part of the portfolio being held in dollar assets coupled with strong performances from several investments in the fund, particularly the FleetCall mobile commnnications company.

Net revenue for the half year amounted to £2,000 (£29,000) for earnings of 0.03p (0.46p) per share.

The actual dividend to be paid from the £125,000 final declared last September cannot be calculated until it is known how much loan stock will he converted on June 30.

Capital Gearing Tst net assets up 29%

Capital Gearing Trust lifted net asset value per share by 29 per cent - from 343.3p to 443.5p - in the 12 months to April 5.

Net revenue amounted to £11,000 (£30,000) for earnings of 0.49p (1.33p) per share. The single dividend for the year is raised to 0.43p. The previous year's distribution of 0.4p was accompanied by a special of 0.8p.

Burndene Invs shows advance to £2.29m

Burndene Investments, the caravans and mobile homes group which also has interests in hosiery and property development, lifted pre-tax profits from £2.07m to £2.29m in the half year to April 3.

The caravan making and site operating side rose to £1.68m (£1.41m) pre-tax, and property, finance and adminiatration contributed a higher £233,000 (£131,000). The hosiery division, however, fell to £375,000 (£530,000).

Turnover improved from £26.8m to £27.7m. Earnings per share came through at 1.45p (1.3p adjusted) and an interim dividend of 0.5p (0.273p) is declared.

COMMODITIES AND AGRICULTURE

Westerners to sign Kazakh oil deal

By Steve Le Vine in Dushanbe, Tajikistan

IN AN oil exploration deal that could be worth several billion dollars, seven western companies including British Gas, British Petroleum and Royal Dutch Shell are to sign a preliminary agreement today to explore the Caspian Sea offshore from Kazakhstan, according to foreign officials in the former Soviet republic.

The preliminary agreement calls for seismic surveys of the Caspian Shelf over the coming three years. Geologists say the portion of the shelf off the Kazakh coast probably contains substantially more oil than the central Asian republic's 25bn barrel Tengiz field. The US company Chevron in April signed a 40 year $20bn agreement with the Kazakh government to develop Tengiz.

The Caspian Shelf agreement is to be signed in Alma-Ata, the Kazakh capital, according to the western officials.

Oil geologists are cautious as no no reliable survey of the shelf has yet been completed, but preliminary reserve estimates varying from a possible 40bn barrels to 60bn barrels have provoked intense interest in the region.

At the low end of the estimate, 40bn barrels, the Kazakh portion of the shelf still would contain two thirds of Kuwait's proven reserves, though far more difficult to exploit, geologists say.

Proceeds, however, could significantly exceed an expected windfall at Tengiz. One key problem in making a final agreement on the Kazakh exploration is establishing sea boundaries between the five Caspian states.

A final agreement could nevertheless come as early as the autumn.

The companies combining with Kazakhstan's ministry of oil are, in addition to BP, BG and Royal Dutch/Shell, Mobil Oil, and French companies Agip and Total. The Norwegian company Statoil is also participating, forming a partnership with BP.

The seven companies will finance the surveys and pay the Kazakh government an unspecified fee. In return they will gain the right of first refusal to exploit whatever oil is discovered.

An environmental survey is included in the agreement, as much of the Caspian Shelf is a nature reserve. No matter what is found, no oil is expected from the shelf before the turn of the century.

A CONSORTIUM of four oil companies has been formed to bid to explore and develop a potentially vast onshore field in the Tarim Basin, north-west China, a Royal Dutch/Shell Group official said in London yesterday.

The consortium comprises Shell and Amoco Corporation, with 36 per cent each. Total, with 18 per cent, and Marubeni Corporation with 10 per cent.

The consortium has filed an application with China National Oil and Gas Exploration and Development Corporation, the official said.

The Chinese government announced in February that bidding would be opened to foreign companies for its onshore reserves. The deadline for companies to submit bids is the end of October.

Companies are understood to be worried, however, about the vast cost of developing such a remote region and about political risks.

Companies queue up for Caspian plunge

Steve LeVine reports on a region that could rival the Persian Gulf

THE CASPIAN Sea, at centre of some of the world's most obscure states, is growing into an oil and natural gas producing region that experts say could rival some Persian Gulf nations. Its prospects are making the names Azerbaijan, Kazakhstan and Turkmenistan familiar to oil men.

"Oil geologists are salivating at the formations they see," says a western consultant in the Azerbaijan capital of Baku.

Says Mr Dave Tayrien of Houston's Amoco Production Company, one of the western companies scouring the area: "A lot of regions in the Caspian either have never been identified or never tapped. It's a highly prospective and exciting part of the world to be doing business in".

The development is likely eventually to put pressure on other oil-producing countries at a time of increasing competition in the industry. At the same time, expected economic growth in the three republics, which together have just 28m people, could spill over and fuel expansion in two of the former Soviet Union's most backward regions, Central Asia and the Caucasus. The region has broad prospects. In addition to the oil and natural gas it boasts a wealth of non-ferrous metals and farm products.

Large oil and natural gas reserves are already proven. The fields are not as vast as Siberia's largest, but they are almost as alluring because they are far easier to exploit.

In Azerbaijan there are 7bn barrels of proven recoverable oil reserves; Turkmenistan has at least 10 trillioo (million million) cubic metres of proven natural gas reserves and 1.6bn barrels of proven oil reserves; and two of Kazakhstan's fields are among the world's ten largest, with a combined 6bn-11bn barrels of recoverable oil and 20 trillion cu m of natural gas.

The mostly undeveloped Caspian region could contain much more. "Only the drill bit will determine how big the wells could be. There are always going to be surprises," says Amoco's Mr Tayrien.

"The Caspian Sea's prospects could be richer than Saudi Arabia".

The Caspian Sea, actually the world's largest lake, covers 600,000 square km (232,000) square miles, but the geological region extends much further. The Caspian Depression reaches across the northern Caspian Sea into western Kazakhstan and includes the long-producing Russian oil and natural gas fields of Astrakhan, Orenburg and Volgograd. Another formation crosses the sea's mid-section, called the Northern Caucasian Mangoshlak plate, encompassing the fields of Azerbaijan and Turkmenistan and stretching to the Aral Sea.

Because the republics are all but broke they have eagerly received the western oil executives that have poured into the region to compete for contracts. But, still in the process of breaking away from their Soviet past, they have been less eager to sign firm contracts.

A problem hindering development of the Caspian fields is the absence of a good pipeline system to transport the oil and natural gas out of the area. Each of the three Caspian republics is discussing differing, multi-billion-dollar pipeline deals that probably will be financed as part of the western contracts.

Azerbaijan has kept about half a dozen western companies on hold for months while officials have again and again studied an estimated $10bn worth of contracts for three large fields off the Baku coast. So far, the government has signed only a $25m contract with the Turkish company Attila Dogan Petrosan to refurbish the Neftchala field near Baku.

Earlier this year, British Petroleum and the Norwegian company Statoil signed a "declaration of rights" to develop the Chirakh oilfield, which, with 1 bn barrels of estimated reserves, is comparable with North Sea fields.

A second field, called the Azeri field, contains an estimated 1.8 bn barrels of oil, and an Amoco-led consortium of six companies is negotiating a deal that could be worth $6bn over 30 to 40 years. In addition, Houston-based Pennzoil and Aberdeen's Ramco Energy, have allied to refurbish the already-producing Guneshli field, which contains an estimated 1.4bn barrels and now produces 130,000 barrels a day.

The deals are potentially bigger, bnt have been even more elusive, in Kazakhstan's Caspian Depression. There, political debates over exploitation of Kazakhstan's share of the Caspian's riches – and simple insecurity while negotiating with seasoned western lawyers – have made the government extremely cautious.

British Gas and Statoil are negotiating to develop the enormous Karachaganak field, which is estimated to contain 570bn cu m (20 trillion cu ft) of natural gas plus 2bn barrels of oil and condensate. The $6bn deal was intended to be completed by April 1, but government officials now say it probably will not be signed until the autumn. Chevron Corporation has closed a deal to develop the giant Tengiz oilfield, which geologists say contains up to 25bn barrels of oil. The sulphur content is high and the oil is under high pressure, so oil companies estimate that 6bn-9bn barrels – equal to Saudi Arabia's bigger fields – are recoverable. The deal could be worth $20bn over 40 years.

Turkmenistan's fields have also attracted a lot of attention, but again nothing has been signed. Italy's Tecnologie Progetti Lavori has been negotiating for more than a year to build a $1bn oil refinery 300 km (180 miles) north-east of Ashkabad, the capital.

In a region accustomed to surrendering its resources to Moscow, the possibility of becoming wealthy and self-sustaining has been an intoxicating experience. The republics' officials, intent on making the best of what is coming, are savouring the moment. Says Mr Ural Akcbulakov, the Kazakh government's chief oil geologist: "The Caspian Sea's prospects could be richer than Saudi Arabia".

Russia halts joint venturers' exports

By Leyla Boulton in Moscow

THE RUSSIAN authorities have effectively suspended all exports of oil by foreign joint ventures in a fresh blow to the credibility of the country's efforts to attract foreign investment to its ailing energy sector.

A western executive who declined to be identified said that Transneft, the state-owned organisation that manages Russia's oil pipeline network, had excluded all joint ventures from its monthly schedule for pipeline access since the beginning of June.

Mr Lev Vainberg, head of the Association of Joint Ventures, told a news conference that he had written to Mr Viktor Chernomyrdin, the prime minister, asking him to reverse what he described as an illegal decision. An official at the Fuel and Energy Ministry said that the decision had been taken by the first deputy minister but that he did not know the reasons for it. Other officials at both the ministry and Transneft were yesterday said to be unavailable to take telephone calls.

The move deprives joint ventures, companies jointly owned by Russian and foreign partners, of their ability to generate hard currency to recoup their investment and their share of profits.

"Cutting out revenues creates a lot of instability in the business environment," said the western executive. "The Russians are shooting themselves in the foot."

Mr Vainberg said a number of foreign companies were considering legal action against Transneft and the Fuel and Energy Ministry and that some had already appealed to their governments to intervene in their support.

Earlier in the day Mr Yuri Petrov, head of a vaguely defined state conglomerate set up to attract investment, chided foreign companies for not rushing to help Russia rebuild priority industries including its energy sector. What he failed to mention was the need to avoid arbitrary and discouraging treatment of foreign companies already trying to invest in Russia.

This latest unexplained move follows another decision earlier this year, subsequently reversed, to deny export licences to some of the joint ventures entitled to export oil. Other western companies are upset about the government's failure to implement an exemption from an export tax granted almost a year ago.

De Klerk seeks more added value from mining industry

By Philip Gawith in Johannesburg

PRESIDENT F.W. de Klerk yesterday urged the South African mining industry to add value to the resources it mines saying it was "vitally important" that the country's minerals be beneficiated to a much greater degree.

Addressing the annual general meeting of the Chamber of Mines in Johannesburg, Mr de Klerk said: "We simply have to achieve maximal exploitation of our non-renewable natural resources."

His comments came against the background of a mining industry facing increased competition in some areas from new market entrants, and also suffering the effects of a prolonged commodity recession.

Mr de Klerk said that given the enormous development challenges facing the country, "it is of the utmost importance that the future role of the mineral industry should not diminish".

Although the gold industry has experienced hard times, Mr de Klerk said "it need not be on a declining trend". He said the government was keen to stimulate expansion of the jewellery industry and to attract foreign investors and their marketing skills. Recent moves include removing the *ad valorem* duty on local jewellery sales and the introduction of a local gold loan system for jewellery manufacturers. Mr de Klerk noted that, using conservative price projections, South Africa still had at least 18,000 tonnes of refined gold that could viably be recovered.

He welcomed the Columbus and Alusaf projects, announced during the last year, which, respectively, involve beneficiation of ferrochrome and offer opportunities for the downstream manufacture of aluminium products.

In the presidential address, Mr Bobby Godsell stressed the need to achieve an "enabling environment" for the mining industry. Key ingredients include political progress – Mr de Klerk expressed confidence that the negotiations process was on schedule – social stability, constructive labour relations, appropriate regulation and "market friendly economic management". On the latter count, Mr Godsell made two pleas:

- That the industry be taxed on its profits, "not have impost after impost placed on its costs in various forms such as resource taxes, mineral levies, royalties and regulatory charges..."
- For special tax concessions, such as accelerated tax write-offs to take account of "the particular risks, the wasting asset nature, and the long lead times in generating any return on mining investment".

He acknowledged recent progress made by Mr Derek Keys, finance minister, including:

- Promising to remove the import surcharge for mining companies that export more than 15 per cent of their product;
- Promising a case-by-case lifting of ring-fencing tax provisions; and
- Accommodating specific industry concerns relating to the new Secondary Tax on Companies.

Rain hampers US plantings

By Laurie Morse

INCESSANT SPRING rains have hampered plantings across the US maize and soyabean belt and cool weather has put US winter wheat development as much as two weeks behind schedule. Crop-watchers are fretting that final maize plantings will be abandoned if the wet weather continues – and it appears that it will.

The National Weather Service forecast on Monday above-normal precipitation across the US heartland for the next 10 days.

Late plantings and cool, moist weather that encourages crop diseases like mildew and fungus should add up to a weather rally in the grain futures pits at the Chicago Board of Trade. Instead, maize and wheat prices in Chicago are in the midst of seasonal declines, and soyabean prices are moving sideways.

The reason? Around the world cereals crops appear to be in generally good condition and demand for the US wheat crop is weak, with buyers sniffing at export incentives and biding their time until the harvest pushes prices lower. "Everybody seems to have good crop prospects – the UK, EC, Canada," says Mr. Daniel Basse, analyst for the consulting firm Ag Resources. He said development progress of spring crops and quality levels of US winter wheat won't be obvious until July.

The US Department of Agriculture reported on Monday that US soyabean plantings were 59 per cent complete last week, compared with a 5-year average of 75 per cent. Maize plantings were only 93 per cent of the forecast 76.5m acres, about 6 percentage points behind the average.

"It does raise concerns that not all of those acres will be planted and that the late plantings will result in lower yields," says Mr Dale Gustafson, senior grains analyst with Smith Barney, Harris Upham in Chicago. He adds, however, that history gives little indication of the crop outcome. Of the five late-planted crops since 1981, about half yielded above-normal and half below.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,590-1,640 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.50 (2.25-2.45).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.44-0.50 (0.38-0.48).

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 13.80-14.50 (14.35-14.90).

COBALT: MB free market 99.3 per cent, $ per lb, in warehouse, 10.90-11.70.

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-135 (115-140).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.20-2.25 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.10 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+4,500	to 1,819,375
Copper	+4,300	to 429,100
Lead	+850	to 259,550
Nickel	+660	to 98,312
Zinc	+8,075	to 670,700
Tin	-25	to 20,100

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD firmed on the London bullion market as renewed buying came into the market. "The market just seems to be probing higher, to see where the selling is going to come in," one dealer said. Initial resistance remains around $376 a troy ounce at the moment, although the former range between $372 and $378 is still in place. New York's Comex was registering only small gains by midday despite bullish influences from currency and stock markets. But New York dealers were expecting gold to remain within its established pattern. London's robusta **COFFEE** attempted to break back into the middle of its recent $900 to $950 range, as New York seemed content to pull back some of Monday's losses. But the absence of fundamental news failed to provide any real momentum and gains were trimmed by the close. London **COCOA** showed little inclination to break out of its present lethargy. Traders were paying little heed to talks this week at the ICCO, where members must decide on whether or not to call a fifth negotiating session for a possible new international agreement. On the LME **COPPER** was steadier.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.10-6.21z	+0.17
Brent Blend (dated)	$18.15-8.19	+.235
Brent Blend (Jul)	$18.25-8.29	+.235
W.T.I (1 pm est)	$19.63-9.67z	+.245
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$206-208	
Gas Oil	$170-171	+2
Heavy Fuel Oil	$62-64	-1
Naphtha	$170-180	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$375.35	+1.15
Silver (per troy oz)♣	443.0c	
Platinum (per troy oz)	$365.00	-1
Palladium (per troy oz)	$125.75	+2.25
Copper (US Producer)	88.0c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	13.28r	+0.08
Tin (New York)	241.5c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	144.02p	+1.80*
Sheep (live weight)†♠	119.71p	-9.09*
Pigs (live weight)†	90.35p	-0.69*
London daily sugar (raw)	$279.8	-0.2
London daily sugar (white)	$276.0	-2.5
Tate and Lyle export price	£296.0	-0.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£188.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	59.50p	
Rubber (Aug)♥	59.75p	
Rubber (KL RSS No 1 Jul)	210.0m	-0.5
Coconut oil (Philippines)§	$447.5y	+2.5
Palm Oil (Malaysian)§	$362.5	-7.5
Copra (Philippines)§	$286.0u	
Soyabeans (US)	£177.0z	+1
Cotton "A" Index	59.70c	
Wooltops (64s Super)	357p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. y-Jul/Aug. z-July. v-Oct/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	286.00	281.30	286.50 280.00
Oct	284.30	279.80	285.00 278.50
Dec	284.60	283.50	283.80 282.10
Mar	287.30	287.60	287.50 283.00

White 1060 (1158) Paris- White (FFr per tonne): Aug 1569.50 Oct 1571.10

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jul	18.28	18.19	18.45 18.15
Aug	18.43	18.38	18.61 18.34
Sep	18.52	18.47	18.70 18.47
Oct	18.69	18.60	18.78 18.61
Nov	18.79		18.80 15.71
Dec	18.81	18.68	18.84 18.74
Jan	18.80		18.90 18.81
Mar	18.89		18.89
IPE Index	18.18	18.34	18.18

Turnover 33240 (32857)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jun	169.25	107.75	169.50 167.75
Jul	170.25	168.25	170.25 168.00
Aug	171.50	170.25	171.50 170.25
Sep	173.75	172.50	173.75 172.75
Oct	177.25	176.00	177.00 176.00
Nov	179.50	178.25	179.00 178.25
Dec	181.50	180.50	191.50 180.00
Jan	182.50	181.00	182.50 181.00
Feb	151.50	179.75	151.00 180.00
Mar	175.50		177.50

Turnover 20244 (13298) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$320, BWC US$ n/a, BTD US$295, BWD US$295.C and F Antwerp BTC US$306, BWC US$305, BTD US$280, BWD US$280.

COTTON
LIVERPOOL- Spot and shipment sales amounted to 495 tonnes for the week ended 4 June against nil the previous week. Improved demand brought moderate purchases mainly in Australian and CIS descriptions. West African as well as Benin growths made some headway.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	664	663	664 660
Sep	677	677	678 675
Dec	698	698	700 696
Mar	718	718	722 717
May	733	732	737 732
Jul	748	746	750 747
Mar	808	804	808 805

Turnover: 4832 (2156) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 7 675.75 (674.64) 10 day average for Jun 8 688.16 (690.15)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jul	894	888	900 882
Sep	909	902	915 897
Nov	912	912	918 907
Jun	913	911	922 908
Mar	923	920	918

Turnover: 2642 (4655) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 7 Comp. daily 53.21 (53.72) 15 day average 55.13 (55.09)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	95.3	98.8	98.0 95.5
May	101.0		102.0

Turnover 48 (27) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	144.40	145.00	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jun	1450	1425	1455 1430
Jul	1340	1316	1340 1325
Aug	1325	1313	1325 1315
Oct	1426	1405	1426 1420
Nov	1435		1435 1435
BFI	1581	1585	1581

Turnover 120 (91)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jun	131.00	131.50	131.50 131.00
Nov	108.70	108.75	108.65 108.50
Jan	111.50	111.60	111.45 111.00
Mar	113.90		114.00 113.80
May	115.90	116.30	116.00 115.75
Jun	118.90		117.00
Barley	**Close**	**Previous**	**High/Low**
Jan	110.15		110.30
Mar	112.15		112.30

Turnover: Wheat 189 (63), Barley 6 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	115.9		115.6
Jul	107.9		108.0 107.8
Nov	105.9		106.0 106.0

Turnover:11 (5) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 82,583 lots
Cash	1160-61	1155-56		1156.5-57.5		
3 months	1183-84	1178.5-79	1185/1173	1180-80.5	1185-85.5	192,287 lots
Copper, Grade A (£ per tonne)						Total daily turnover 44,891 lots
Cash	1198-1200	1193-94	1200/1198	1197-98		
3 months	1213-15	1209.5-10	1216/1214	1213.5-14	1214-15	218,670 lots
Lead (£ per tonne)						Total daily turnover 2,339 lots
Cash	261.5-62.5	265-66	263	262.50-63		
3 months	271-72	275-75.5	275/271	272.5-73	271.5-72	20,956 lots
Nickel ($ per tonne)						Total daily turnover 6,818 lots
Cash	5580-90	5650-60		5550-55		
3 months	5645-50	5715-20	5680/5610	5617-18	5680-65	47,943 lots
Tin ($ per tonne)						Total daily turnover 2,774 lots
Cash	5155-60	5210-20	5180/5170	5165-70		
3 months	5215-20	5270-75	5290/5170	5230-35	5235-40	10,235 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,992 lots
Cash	934.5-35.5	944-45	933.5	933-33.5		
3 months	953-54	963-64	960/952	952-52.5	952-52.5	88,564 lots

LME Closing £/$ rate:
SPOT: 1.5190 3 months: 1.5083 6 months: 1.5010 9 months: 1.4949

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	375.10-375.60	
Opening	373.75-374.25	
Morning fix	373.75	246.001
Afternoon fix	375.25	245.396
Day's high	376.10-376.60	
Day's low	373.10-373.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.50	6 months	2.55
2 months	2.50	12 months	2.59
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	288.80	439.25
3 months	292.50	442.35
6 months	296.70	446.40
12 months	304.30	454.15

GOLD COINS

	$ price	£ equivalent
Krugerrand	373.50-376.50	246.00-248.00
Maple leaf	385.70-388.15	
New Sovereign	88.00-91.00	58.00-60.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1150	46	68	17	25
1175	32	54	28	34
1200	21	41	42	46
Copper (Grade A)	**Calls**		**Puts**	
1800	88	112	60	78
1850	64	88	85	100
1900	45	68	118	132
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
850	46	81	2	22
900	12	51	18	42
950	1	31	57	72
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
625	39	60		
650	17	42	3	15
675	4	27	15	25
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1800	25	75	2	22
1850	9	44	15	38
1900	1	20		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	374.0	374.0	378.5	374.0
Jul	374.8	374.8	0	0
Aug	375.9	375.7	378.5	375.5
Oct	377.4	377.4	379.7	377.8
Dec	379.1	379.1	381.6	379.0
Feb	380.7	380.7	0	0
Apr	382.4	382.4	384.3	383.5
Jun	384.1	384.1	384.6	384.6
Aug	385.9	385.9	387.8	387.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	386.7	386.3	389.4	385.5
Oct	385.0	384.8	387.0	384.0
Jun	384.5	384.3	388.0	386.0
Apr	384.0	383.8	386.5	386.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	438.8	440.6	438.0	438.0
Jul	439.8	441.5	444.5	439.0
Aug	441.4	443.1	0	0
Sep	443.0	444.7	447.0	442.0
Dec	447.7	449.3	452.5	447.0
Jan	448.3	449.9	0	0
Mar	452.3	453.9	454.0	452.0
May	456.0	457.5	454.0	454.0
Jul	459.2	460.8	0	0
Sep	462.8	464.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	81.56	81.40	81.56	81.55
Jul	81.70	81.75	82.10	81.45
Aug	81.90	82.00	0	0
Sep	82.15	82.26	82.56	82.00
Oct	82.36	82.45	0	0
Nov	82.55	82.70	0	0
Dec	82.75	82.96	83.20	82.70
Jan	82.90	82.10	0	0
Feb	83.05	83.25	0	0
Mar	83.26	83.45	83.80	83.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	18.88	19.54	19.89	19.56
Aug	18.92	10.75	20.11	19.82
Sep	20.03	19.67	20.23	19.94
Oct	20.10	19.98	20.24	20.04
Nov	20.15	20.02	20.28	20.08
Dec	20.18	20.08	20.27	20.12
Jun	20.16	20.08	20.30	20.17
Feb	20.26	20.08	20.26	20.19
Mar	20.07	20.07	0	0
Apr	20.06	20.06	0	0

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jul	53.96	53.58	54.40	53.56
Aug	54.70	54.38	55.15	54.50
Sep	55.75	55.38	56.15	55.50
Oct	56.80	56.40	57.15	56.65
Nov	57.80	57.40	58.20	57.70
Dec	58.75	58.33	59.15	58.45
Jan	59.00	58.63	59.60	59.00
Feb	59.25	58.58	59.50	59.20
Mar	57.95	57.28	58.30	57.85
Apr	56.80	55.88	57.00	56.30

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	850	848	862	850
Sep	883	884	895	882
Dec	923	924	932	923
Mar	964	964	972	964
May	988	987	993	991
Jul	1015	1014	1015	1015
Sep	1038	1035	1040	1039
Dec	1007	1056	1065	1065
Mar	1102	1101	1100	1100

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	58.45	58.25	59.40	58.25
Sep	60.30	60.05	61.20	58.00
Dec	62.95	62.75	63.70	62.60
Mar	65.50	65.25	66.10	66.10
May	67.30	67.00	0	0
Jul	68.40	68.00	0	0
Sep	70.15	69.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.13	10.95	11.20	10.98
Oct	11.38	11.26	11.42	11.28
Mar	11.08	10.95	11.11	11.00
May	10.88	10.86	11.00	10.93
Jul	10.83	10.70	10.86	10.83
Oct	10.88	10.64	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	59.49	60.71	60.80	59.40
Oct	58.85	59.58	59.60	58.80
Dec	58.35	59.25	59.35	58.30
Mar	59.25	60.05	60.26	59.25
May	60.00	60.73	60.50	60.00
Jul	60.36	61.25	61.05	60.75
Oct	60.52	60.95	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	109.95	107.80	110.00	107.25
Sep	112.40	111.10	112.50	110.60
Nov	114.45	113.05	113.80	112.80
Jan	116.00	114.85	116.00	114.60
Mar	118.98	115.95	118.50	116.00
May	117.25	118.45	117.25	117.00
Jul	117.30	118.95	117.30	118.50
Sep	117.30	116.95	0	0
Nov	117.30	118.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jun.8	Jun.7	mnth ago	yr ago
1657.7	1658.6	1663.1	1596.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jun.7	Jun.4	mnth ago	yr ago
Spot	120.57	120.22	120.53	118.60
Futures	121.11	121.30	121.72	119.05

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	590/2	592/0	596/0	590/0
Aug	587/6	589/6	594/0	587/4
Sep	586/2	587/0	592/2	586/0
Nov	587/0	589/0	593/4	586/4
Jan	593/4	595/6	599/4	593/4
Mar	600/0	603/4	606/0	600/0
May	601/6	605/2	608/0	601/4
Jul	602/0	607/0	610/2	602/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	20.80	20.76	20.91	20.77
Aug	20.93	20.90	21.84	20.91
Sep	21.07	21.02	21.18	21.04
Oct	21.18	21.14	21.26	21.15
Dec	21.40	21.37	21.48	21.36
Jan	21.51	21.46	21.60	21.50
Mar	21.72	21.67	0	0
May	21.90	21.90	21.95	21.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	188.3	188.8	190.0	187.9
Aug	187.3	188.2	189.3	187.2
Sep	187.0	188.0	189.0	187.0
Oct	186.6	187.8	188.0	186.5
Dec	187.2	188.4	189.6	187.0
Jan	187.2	188.5	159.5	187.2
Mar	187.4	188.8	180.8	187.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	220/2	222/0	223/2	220/0
Sep	225/4	227/2	228/2	225/2
Dec	233/0	234/6	236/0	232/4
Mar	240/0	242/0	243/2	239/6
May	244/4	246/2	247/0	244/4
Jul	248/0	250/2	250/6	247/6
Sep	244/4	246/0	247/0	244/4
Dec	242/4	243/2	244/0	242/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	284/6	286/6	288/6	284/4
Sep	288/6	290/6	292/4	288/0
Dec	300/4	302/6	303/6	300/0
Mar	307/0	309/0	310/0	306/0
May	305/4	307/2	309/0	305/0
Jul	305/4	307/2	307/2	304/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	76.825	77.125	77.250	76.800
Aug	75.050	75.475	75.500	75.025
Oct	75.375	75.850	75.650	75.325
Dec	75.275	75.525	75.525	75.250
Feb	74.825	75.025	75.025	74.800
Apr	75.900	76.125	76.000	75.875
Jun	73.075	73.225	73.350	73.025

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.775	51.650	52.125	51.500
Jul	49.275	49.850	50.075	49.250
Aug	47.650	48.075	48.225	47.550
Oct	42.450	42.825	42.950	42.400
Dec	43.375	43.775	43.850	43.350
Feb	43.350	43.600	43.650	43.300
Apr	42.300	42.500	42.400	42.300

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	37.200	38.075	38.650	37.050
Aug	36.600	37.200	37.700	36.450
Feb	41.000	41.225	41.500	40.875
Mar	40.250	40.500	41.150	40.250
May	40.600	40.800	0	40.600
Jul	41.300	0	0	0

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FINANCIAL TIMES SURVEY

The city's steel industry has the lowest production costs in Europe: page three

SHEFFIELD

The groundwork is now in place for more investment in the city: see page four

Wednesday June 9 1993

Sheffield has lost tens of thousands of manufacturing jobs in the last 20 years, but not its manufacturing industry, now spread more widely in smaller companies – and some of them are very successful. Nevertheless the struggle out of recession is hurting, writes **Ian Hamilton Fazey**

City strives to shine

THERE is belligerence in Sheffield these days. It is not the usual conflict between city council and central government, but survivors in manufacturing industry aggressively proclaiming they are alive and deserving of more recognition for what they have done.

The mood is typified by Noel Edwards, chairman of Barworth Flockton, a steel manufacturer and processor.

"Sheffield is not a post-industrial society," he declares. "We are manufacturers and we are fighting back. We have been thought to be in decline, but we are not. We never really have been.

"We have to be quick-footed and adapt. We have looked for niches where we can compete and we have got on with it. We have ridden recession because we had hard-working facilities and people."

Sheffield's problem is that its manufacturing has survived at the expense of jobs. In 1942, Sheffield made a record 1.9m tonnes of steel in 176 furnaces. Last year, just seven furnaces produced 2.25m tonnes – but with only one eighth of the 1942 manpower.

Mike Bower, who took over leadership of the Labour-controlled city council a year ago, says 36,000 jobs disappeared from steel or associated industries in the first half of the 1980s. Unemployment quadrupled, explaining the council's attempts 10 years ago to ease problems by expanding its own workforce.

The spiral of ever higher business rates to pay for this antagonised the private sector, but was broken in 1989 by the government's introduction of a national uniform business rate. This reduced tension between public and private sectors, which were by then struggling to co-operate after years of slanging matches had proved counter-productive.

Last year it was all hands to the pump to save the World Student Games, to which the council committed itself in 1987 as an aid to regeneration, not realising they were virtually unsaleable to television, the only guarantor of enough sponsorship to make them pay.

The games were a sporting success, but lost twice as much as budgeted and left a £157m bill for facilities, to be cleared over the next 20 years. A damning report by the District Auditor, the government's council spending watchdog, left Sheffield with egg on its face and appearing incompetent.

A backlash is now ensuing. Backbench Labour councillors last month voted seven left-wingers out of party office, leaving Mr Bower, a moderate dealmaker, in a strong position. He has already persuaded town hall union members to avoid job losses this year by taking a pay cut, even though everyone knows the overstaffed payroll will eventually have to be trimmed.

In industry and commerce, there is grumbling at the damage the games fiasco has done, but ranks are closing to stress the long-term value of the facilities to the city.

Vigorous promotion of manufacturing achievement will now play its part in trying to restore Sheffield's reputation – and there is much to boast about.

Last year's 2.25m tonnes of steel was top grade feedstock for precision or high stress engineering fabrications. Recession has forced a 30 per cent drop in prices over two years, but Sheffield has coped because – says Ray Douglas, this year's Master Cutler and a British Steel director – it now has the lowest unit production costs in the world. This month the Cutlers' Company, the ancient guild protecting Sheffield's name for quality in manufacturing, is mounting a "trail of excellence," with customers from Britain and abroad visiting suppliers – and their suppliers' own suppliers and other customers. The city's laboratories and universities are included. Visitors will be fed at a special Cutlers' Feast. "Sheffield Shines" will be adopted as the city's equivalent of "Glasgow's Miles Better."

Peter Newman, former chief executive of Davy and now chairman of the governors of Sheffield Hallam University and a director of Sheffield Development Corporation, says: "We are hoping to do our bit to end the patronising British attitude to manufacturing. Don't run us down, is one of the things we are saying."

The trail will demonstrate the city's vertical integration between steelmaking, steel and metals processing, testing, design and manufacturing – "intracity trading has been very important in local industry standing up to recession. Sheffield has always had a village atmosphere but this has only recently manifested itself industrially," says Mr Newman.

But can the picture possibly shine this brightly? There is overcapacity in European steelmaking. Mr Edwards and Mr Douglas would have been less bullish, for example, had Britain not left the ERM. For some it has been a close run thing. It seems impossible to find anyone in Sheffield to call last September 16 black Wednesday – "White," "platinum," or "diamond" are the most common words.

William Cook is chairman of Andrew Cook, a company which now claims to be Europe's largest manufacturer of steel castings. With 80 per cent of his output exported directly or indirectly, he admits he would have been in trouble by now had exchange rates stayed at ERM levels.

WHAT is left of British manufacturing "is pretty good and exporting like mad," says Mr Cook. "Things are certainly not getting worse, but many of my customers in the UK have gone. If the government allows the pound to rise again or we go back into the ERM, this will screw things up completely. Our unit costs are already lower than they have ever been."

Suppliers of professional services are equally revealing. Andrew Darwin of Dibb Lupton Broomhead, the city's leading corporate lawyer, says: "Insolvency has done well. We have been busy in Sheffield, although we have had few high profile insolvencies. Litigation has also been busy, with a lot of debt collection business."

According to Nicholas Kemp, director of the Sheffield Association of the Engineering Employers Federation: "Most companies have had difficulties in the recession but it's a mixed picture. Our April survey of members was the most positive for two-and-a-half years, but there are still some companies finding the going very difficult. One universal area of big concern is the downturn in Germany – "we can compete on quality, price, unit costs and productivity, but the orders are just not there. We think we'd have an advantage if they were because trading conditions pose problems for our German rivals, who have never faced recession in the way we have."

Mike Myerson, of accountants Ernst & Young, says his clients remembered the recession of 1980-82, battened down the hatches, shed labour early and reduced costs. Only one failed.

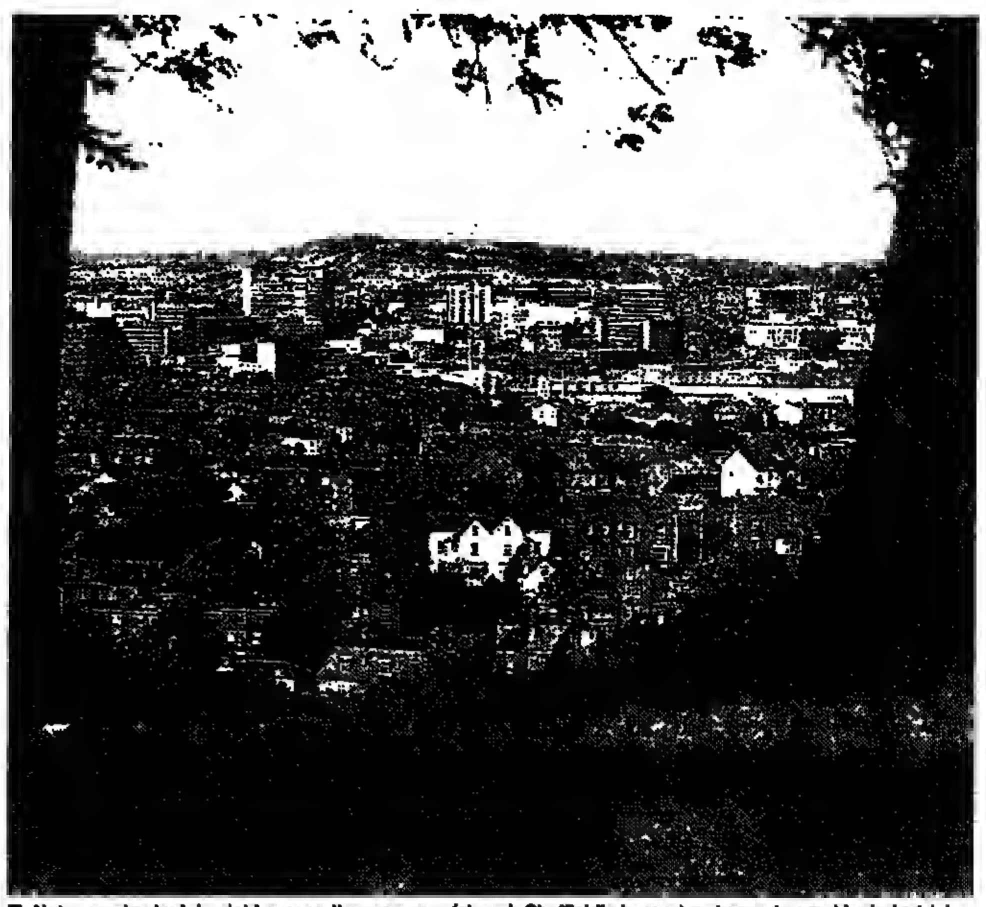
Surviving recovery, however, may be equally difficult. David Compbell, of accountanta Grant Thornton, says: "Everyone has orders now. These were few and far between a year ago, when many had no orders at all. Now companies are short of finance to pay for them and have no more security to offer."

Most of Sheffield's manufacturing is now in small or medium-sized companies. In 1979, Mr Kemp's association had several members with more than 6,000 employees each. Now it has none with more than 2,000. But he has 350 member companies - 100 more than in 1988. Most employ under 50 people, with 31,000 jobs between them.

The structure of Sheffield manufacturing has thus changed dramatically, with a much flatter distribution of businesses by size. Some have not felt the recession because they have good niche markets, but Sheffield's future now depends on as many as possible of these small, owner-managed business growing bigger. Many are insecure.

Jonathan Hunt, is senior partner of Wake Smith, one of Sheffield oldest legal firms, chairman of Sheffield Enterprise agency and a member of the local training and enterprise council. "There is a fairly good supply of money, but there are gaps. We need more small scale venture capital funding," he warns.

As some of its manufacturers strive to exploit their impressive gains – or even just to keep them – Sheffield's economy seems worryingly fragile.



■ Not a smokestack in sight among the greenery, (above): Sheffield's image has been changed by industrial reconstruction but many companies in the city's traditional steel industries are putting in strong performances.
■ Pictured left: a craftsman at United Cutlers finishes a batch of spoons.

Export orders for knives by the million

Still at the cutting edge

THERE is a waiting list for jobs at Sheffield's youngest cutler. The company has doubled its sales in the last three years and has just opened a sales office in Heidelberg, where it expects to undercut German competitors by 30 per cent. Meanwhile, the management buyout team that now runs one of city's oldest cutlers has doubled turnover in five years and made such advances in its production technology it now claims the lowest production costs in its sector in Europe.

Not to be outdone, Sheffield's largest producer of kitchen knives has just had another record year, taken on more staff and developed a new process for coating a cutting edge with titanium nitride carbide to keep it sharp five times longer than its Taiwanese imitators.

Cutting edges are what Sheffield's industry has always been about. The Company of Cutlers in Hallamshire in the County of York, a manufacturers' guild empowered by law since 1624 to protect Sheffield's name worldwide, now has 500 members.

They can be based within 26 miles of Sheffield, but they have to produce a cutting edge, whether for tableware or tools, consumer markets or industry. The sector looks in better shape than it has for years.

The popular conception used to be that it had died, with perhaps 30,000 jobs destroyed by cheap foreign imports and the loss of traditional export markets in the former British Empire. Rocketing silver prices in 1979 forced a crisis in sterling cutlery sales and recession then bit, shaking out jobs.

But Sheffield has got over the shock. Making cutting edges is no longer an industry employing large masses of people, but it has reconstructed itself to work smarter, using new technology and modern marketing methods.

Arthur Price of England was one of the first cutlery companies to go in for vigorous marketing, averaging £500,000 a year on promotion during the latter half of the 1980s. Campaigns sold the company's products, but they also promoted the long-term economic advantages of paying for good quality and the name of Sheffield as its guarantor.

Other Sheffield manufacturers of cutting edges, such as Stanley Tools, are household names among millions of do-it-yourselfers. Others remain largely anonymous, mainly making branded kitchen knives for consumer products companies or "own-label" items for retailers. Taylors Eye Witness, founded in 1838, is an example. It never discloses its turnover but employs 200 people.

"We make pen and pocket knives, catering trade and craft knives, scissors, kitchen knives and tableware for many customers. This diversity has enabled us to swim against the tide throughout the recession," says Mr Alastair Fisher, a director. Confidence is high enough for a September launch of Taylors Eye Witness's "European feel" range of top quality stainless steel cutlery, designed by Robert Welch.

COMPANIES do not, however, have to be ancient to be part of the sector's success – "we were interlopers. Originally we were retailers but we didn't like the quality of what we could get, so in 1983 we decided to go into manufacture," says Mr Hugh Foulerton, founder of United Cutlers of Sheffield.

Some city cutlers were put out when he started paying more than the going rate to recruit good craftsmen, but local suppliers soon warmed to his regular orders. He went for high quality niche markets and direct marketing via quality daily newspapers, cutting out retailers altogether – "stores can't afford to stock many lines. They double the price and then add VAT. Cutting out the middle man means a bigger choice from a wide range of stock, as well as enabling higher ex-factory prices and, hence, quality."

He therefore produces and stocks 18 designs in silver or silver plate and nine in stainless steel, involving 1,500 individual lines and a stock of nearly 170,000 items.

His big breakthrough came when the falling price of silver enabled United to get its price for six sterling place settings down to £1,250. This sterling price is half that charged by good and within £300 of what many charge for silver plate.

"We haven't had a recession or any short time working or redundancies," says Mr Foulerton. "Everyone has been on overtime since last September and we have just set up in Germany."

Turnover passed £1m in 1989 and £2m last year. All growth has been financed from profits and sales are now 5,000 pieces of cutlery per week, with sterling the biggest success. The 23 employees get 10 per cent of the company's profits between them as bonus. Recruits are picked from a waiting list and have to agree to a trial lasting up to a week to see if they fit in. Only two people have been sacked in 10 years.

Similar commitment is apparent at Hiram Wild, which was bought out by its production, commercial and financial directors from an increasingly disinterested conglomerate in 1988. Equity backing was from South Yorkshire Pensions and the Leeds-based venture fund Capital for Companies.

Mr Barry Campbell, production director, says: "We've hardly felt the recession. There were a couple of months where we found the going difficult but we had very successful results last year. I feel really confident.

"We have a basic philosophy. We as directors pay ourselves a wage. We plough back all profits in reinvestment. The more successful we are, the faster we can reduce unit costs."

The payroll has been slimmed down from 240 to 170, but annual turnover is now £6m. The company manufactures across the quality range, and has stayed in low-margin, high-volume production.

"I tell my managers that if they have planned properly the work will flow through on its own. Their job is to walk round looking at the process and methods and seeing if they can reduce unit costs. One factory now has the lowest production costs in Europe," says Mr Campbell.

Investment in automation and robotics enabled one new machine with one woman operator to replace six machines and six people. The company can produce a basic stainless steel spoon for 12p. Last year Hiram Wild sold £120,000 of such cutlery to hospitals, a growing market.

It also makes cutlery for eight airlines. Margins are thin, but volumes are high. In-flight cutlery sets average two take-offs before they "disappear." The company is at present pitching for British Airways economy class business, which got through 15.5m pieces last year. It already supplies BA's first class cabins.

Meanwhile, the Australian-owned Richardsons Sheffield, manufacturers of the "Laser" brand of kitchen knives, continues an inexorable progress. It produces 32m blades a year now, turnover has passed £25m, 60 per cent of output is exported, and the payroll of 500 is up from 469 last year.

Mr Gordon Bridge, managing director, reckons the company has 10 months whenever it brings out a new design or product before cheap, lower-quality imitations come out in the Far East.

However, he hopes the new titanium nitride carbide coating now being applied to cutting edges will be hard to copy. The process was developed in collaboration with Sheffield University and involves high-vacuum technology and some trade secrets – just the thing for Sheffield to keep its edge.

Ian Hamilton Fazey

Sheffield's transpennine links

New road a priority

HOWARD WOODCOCK, owner of an eponymous travel company, reckons he has found the consistently fastest route by car from Sheffield to Manchester Airport. Sheffield Chamber of Commerce gives copies to members.

The route goes through the Peak District national park over Winnats Pass and via Chapel-en-le-Frith, Pott Shrigley and a myriad of Cheshire country lanes, passing through a farmyard and over a stretch of cobbled road. The distance of 38 miles takes 65 minutes.

The alternative and more obvious main routes take in either the Snake or Woodhead Passes, converging on a notorious series of bottlenecks. With heavy lorries on the roads the journey can take up to twice as long as Woodcock's Trail.

With Manchester airport's increasing importance to the northern economy, South Yorkshire is increasingly feeling isolated from it. The Coalfields Communities Campaign this year pointed to the problems this created in impressing potential inward investors.

There is now a growing clamour for an all-weather dual-carriageway between Manchester and South Yorkshire, even though this would mean 15 miles of it passing through the national park. The favoured route is the A628 over Woodhead.

Conservation groups are unhappy, but the economic and politcal case is growing, especially after the latest pit closures programme.

Mr Mike Bower, leader of Sheffield City Council, says: "We certainly don't get the number of relocations we could reasonably expect. We need a better road link to Manchester. This is a pretty high priority."

Mr William Cook of Andrew Cook, a steel castings specialist, has many US customers to service – "we've learned to live with the airport problem, but how can we possibly expect inward investors to put up with it?" he asks. Mr Cook thinks a spur to the airport from the Sheffield-Manchester railway line would also help, but the road is critical. "It's geographically, technically and environmentally simple. What difference could it make to a few sheep if traffic moves fast or slow?" he says.

"It's a burning issue," agrees Mr John Hambidge, chief executiva of Sheffield chamber. "Which pollutes more, fast or slow lorries? They crawl over the Woodhead belching black exhaust fumes in low gear. It must be cleaner and more economical to move them through faster. We should certainly study this scientifically.

"Good landscaping of a well-designed road can actually protect the environment. The A628 has been defined by the Department of Transport as the worst transpennine route. There are few walks in that part of the park, so few recreational walkers would be inconvenienced," adds Mr Hambidge.

Indeed, one argument is that improving the Woodhead route and banning heavy goods vehicles from the longer Snake Pass would protect the national park better than now. Even Mr Hugh Sykes, chairman of the Peak Park Trust, insists: "The balance of advantage to all interests lies in developing better transpennine links."

Mr Sykes and others also see the issue as wider than mere access to Manchester Airport. Greater Manchester's economic hegemony over the transpennine belt makes easier access to its financial and professional service sector increasingly important.

THE north's main wealth-generating areas straddle the Pennines. The M62 has already created a potential European super-region by linking Greater Manchester and West Yorkshire. A "dualled" A628 would add South Yorkshire, thus increasing the northern economy's central critical mass and improving three-way commercial links between Sheffield, Manchester and Leeds.

Mr Sykes points to Japan, which now groups towns and cities into strong, intra-trading regional economies – "we need to strengthen the intra-trading northern economy," he adds.

Perhaps Professor Alan Hay, head of geography at Sheffield University, has the answer to resolving the clash between economic and environmental interests, however – "there are two problems on transpennine links, so why should there not be two solutions, one for lorries and one for cars?" he asks.

A new link is planned in about five years time between the M1 and M62 to "cut the Leeds corner." This will will save traffic between the two motorways having to travel to Leeds to interchange.

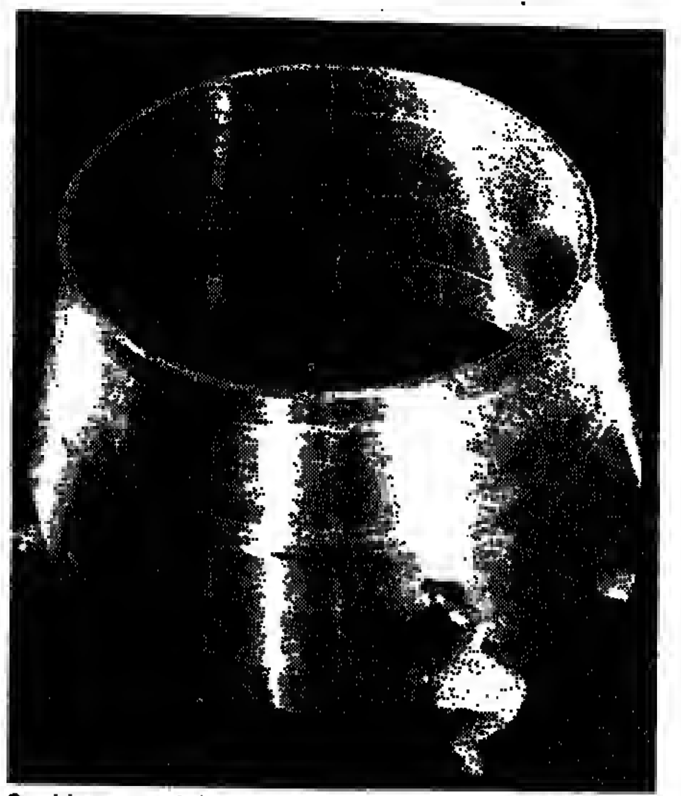
"This is the routa most heavy goods vehicles should use. The Woodhead pass could then be upgraded but confined to cars and light goods vehicles only," Prof Hay suggests.

Many will see this as common sense. In the meantime, the scenic Woodcock Trail looks the best means of ensuring Sheffielders do not miss their flights.

Ian Hamilton Fazey

The city's traditional manufacturing sector has greatly improved productivity, says **Ian Hamilton Fazey**

Restructured steel industry cuts costs



Supplying new markets: final checks being made at Forgemasters Engineering on a generator transition cone for the nuclear industry

AS befits the director of marketing and product development of British Steel, Raymond Douglas is fierce advocate of his industry. "Contrary to popular belief," he growls, "the steel industry has not, and I repeat not, collapsed in Sheffield."

He is also Master Cutler this year - for ceremonial purposes the symbolic embodiment of Sheffield manufacturing. "The last peak in steel production here was 1942. There were 176 furnaces and they produced 1.9m tonnes. Last year we made 2.25m tonnes out of seven furnaces," he says.

Why people think steelmaking collapsed was because of the loss of jobs from 1974 as the industry restructured. In 12 years of turmoil, eight large companies closed, creating instant dereliction in a third of the Lower Don Valley, a seven-mile stretch of industrial history.

At least 18,000 jobs were lost in the valley alone and Sheffield's unemployment rate was more than quadrupled to 18 per cent. Small wonder people thought Sheffield's steel industry had gone the way of Corby's, Scunthorpe's or Consett's.

Last year's production proves otherwise, but tells only half the story, for the 2.25m tonnes from seven furnaces were produced with only one-eighth of the labour force it would have taken 20 years ago.

Reconstruction continues. In the last 12 months, British Steel Stainless has merged with Avesta, the Swedish producer, to form Avesta Sheffield. The new company is bidding for European leadership, claiming a wider range of grades and products than any competitor.

Meanwhile, United Engineering Steels, with plant at Stocksbridge and nearby Rotherham, is larger than Thyssen and Krupp in this sector, producing high integrity steels for the aerospace, power generation and automotive industries.

Inevitably, recession is hurting. Mr Douglas says: "Everyone is going flat out, but prices have dropped 30 per cent in two years. We are surviving only because we are now the lowest-cost steel producers in the world."

There is a large element of vertical integration in Sheffield's steel industry, with steel makers supplying local steel processors. Restructuring has ensured their survival, despite uncontrollable outside economic factors.

Mr William Cook, chairman of Andrew Cook, which makes steel castings, adds: "Had it not been for our ejection from the ERM we would have been in desperate trouble.

"About 80 per cent of my products are exported, either directly or indirectly in things like construction or mining equipment, power generation plant, offshore oil equipment, fork lift trucks or general engineering products."

Sales have gone from £135m at their 1980s peak down to £100m now. Cook's jobs peak was 3,300 in 1989-90. It now employs 1,900.

"We are down from 15 plant to seven and looking at reducing to five. And we are definitely getting rid of another 500 jobs in the next 18 months," Mr Cook warns.

Sheffield Forgemasters, which was bought by its management five years ago and now has 400-employee shareholders but no debts, has invested more since 1988 than it did in the previous ten years.

The effect has been startling. The company has 1,700 people now, compared with 7,500 in 1982, but it produces up to 30 per cent more. Wages were 50 per cent of total turnover in 1982, but are under 25 per cent now. Despite job losses, however, Forgemasters has never stopped taking on apprentices.

As one of few companies left in the world which can cast 300-tonne pieces and produce huge machined components weighing 120 tonnes, Forgemasters is also scoring in export markets, despite 200 per cent overcapacity in its sector.

Mr Philip Wright, chief executive, says: "On exports, you have to be accepted technically before you can get further.

"The first order is critical. It's why we have put so much into improving manufacturing. We now simulate and rehearse manufacturing before we actually do it. We try to eliminate variability in processing.

"We have a 90-point check list now, where there was no check list at all previously. Defects cost us £5m a year in the past and are probably under £1m a year now."

The payoff is showing most in Germany, where the company now has 50 per cent of the ingots market, having started from zero four years ago.

Aurora, now owned by Australian National Industries, also exemplifies Sheffield's metamorphosis. It takes billets from Stocksbridge and turns then into specialised forgings which are now economically priced because of a £27m investment programme over the last four years.

Mr Eric Brightmore, managing director, says Aurora has slimmed down to a core business of forgings and castings in steel and superalloys, distribution, metal melting, processing and specialist engineering.

Last year 2.25m tonnes were produced with one-eighth of the old labour force

"We shed construction-related companies and pulled back from £156m turnover to £70m, but we created units with bigger critical mass," he says. Sales are now running at £80m a year, with profits at £7m - the same as in 1978 when the group was bigger.

Exports have doubled to £20m in six years. The human cost, however, has been about 1,800 jobs since peak, with only 1,200 employed now.

Among these big players, however, Sheffield still has room for the small, niche-market specialist. Mr Noel Edwards, chairman of Barworth Flockton, is typical.

His family company - his son Richard has just succeeded him as managing director - makes high-value special steels and does hire work for others, turning their ingots into billets and billets into bars.

It turns over £8m but employs 350 people. The 200 in the main factory been working round the clock in three shifts, flat out, throughout the recession. Mr Edwards' only concession to downturn was to postpone a new £4m rolling mill from GFM of Austria, but it is now being installed.

He sold on quality before Britain left the ERM, but can now undercut foreign competitors as well, so he is exporting 30 per cent of output.

Only one thing concerns him - downturn in Germany. In that, however, he is not alone. Every single one of his bigger brethren is at least equally worried. Their industry has put Sheffield through a terrible ordeal to become internationally competitive - only to find its most crucial European export market heading for trouble.

Ian Hamilton Fazey

Pragmatism at the Town Hall

Grasping sharp nettles

WHEN Sheffield City Council staged the World Student Games last year, it was a bizarre mixture of triumph and fiasco. This year, it persuaded most of its 25,000-strong workforce to accept a pay cut to avoid job losses, winning widespread approval for its pragmatism.

These two events say much about how the Labour-controlled council is changing from the Thatcher era when it was one of the most radical on the left.

Mike Bower, leader for the last 12 months, explains: "In the mid-1980s it was deliberate council policy to maintain employment. Employment in the steel industry crashed from 52,000 to 16,000. The council's reaction was understandable."

The council fell out with the business community as unemployment worsened and business rates - the tax it levy could locally on the private sector - rose.

Detente was not widely apparent until the Conservative general election victory in 1987, when both sides realised they had got to recognise reality and work together.

The World Student Games were supposed to cement relations and spark regeneration, but everyone discovered too late they were virtually unmarketable to television, the crucial medium for attracting enough sponsorship to run them at a profit.

By then, the council had borrowed £157m to build sports facilities and the city was committed.

After bitter recriminations in the winter of 1990-91, council and private sector tried to patch up the problems, but the company set up to run them had to be liquidated. The council then took over, staged an impressive games, but overran their budgeted loss by £5m and could not explain why.

The District Auditor, the government's watchdog on council spending, blamed bad management and incompetence. Sheffield's embarrassment was tangible and many in the private sector still cringe about it.

"However, the games were good and enjoyable," says Mr Alan Bamford of Henry Boot, who was president of the chamber of commerce at the time.

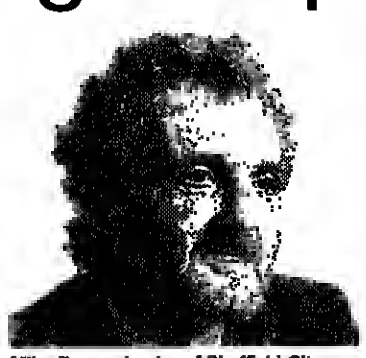
"We should make the best use of the facilities now we have them."

Mr Ray Douglas, the Master Cutler, says: "The council made a cock-up of the finances, but in every other respect the event was successful and we now have some excellent facilities."

"Forget the games," says Mr Vernon Smith, chief executive of BSC Industry, the economic regeneration arm of British Steel.

"We should not be looking at a city of 500,000 people and saying all we have by way of facilities is a couple of Victorian football grounds. What we have now are the sort of things good cities of this size actually need. Everyone has to live, work and play."

Mr John Hambidge, chief executive of the chamber, says public attitudes are softening as the arena - voted one of the best in Europe for concert tours - swimming pool and stadium bring in events and revenue to the city. The dimming of memories of the fiasco will undoubtedly help Mr Bower. He is a former journalist, trades union official and head of the Co-operative Development Agency in Sheffield.



Mike Bower, leader of Sheffield City Council and an A-Team member

"A practical man with a background in negotiations who is used to stitching deals together," says Mr Hambidge. This appeals to business leaders.

The vote by the council workforce to help solve a budget crisis and avoid up to 1,800 sackings by taking a pay cut has particularly impressed them.

Mr Bower meets business, development corporation, university and local media leaders once a month for breakfast to discuss strategy. Meetings are discreet, with no publicity. The group is known as the "A-Team."

"The city and the development corporation are the most important players," says Mr Hugh Sykes, chairman of the latter.

"The old partnership between the council and the city was more of a front which took a high profile and claimed too much credit. The A-Team is deliberately lower key."

The team is planning to appoint a chief executive to act as enabler and progress chaser. This will overcome Mr Hambidge's criticism that too many things are as yet merely talked about rather than done.

Meanwhile, everyone knows the pay-cut-for-jobs deal will buy only a year's respite because the council is still overstaffed from the days when it saw its priority as providing jobs. The introduction of the uniform business rate by the government has stopped it making local businesses bridge deficits.

Mr Bower wants to trim numbers but not services - "there are savings to be made in middle management," he says.

"We employ a lot of people on supervision or in administration. I don't believe it's all necessary. Lots of people are not adding value. We will eliminate many of these posts."

He will have the necessary political support because the Labour group of backbench councillors last month voted out of leadership seven of the left's more prominent figures.

Ever the diplomat, Mr Bower plays down this shift towards the centre of the political spectrum as an internal convulsion in the Labour group, but it is obvious a sea change has taken place, or he would not be able to act as he does.

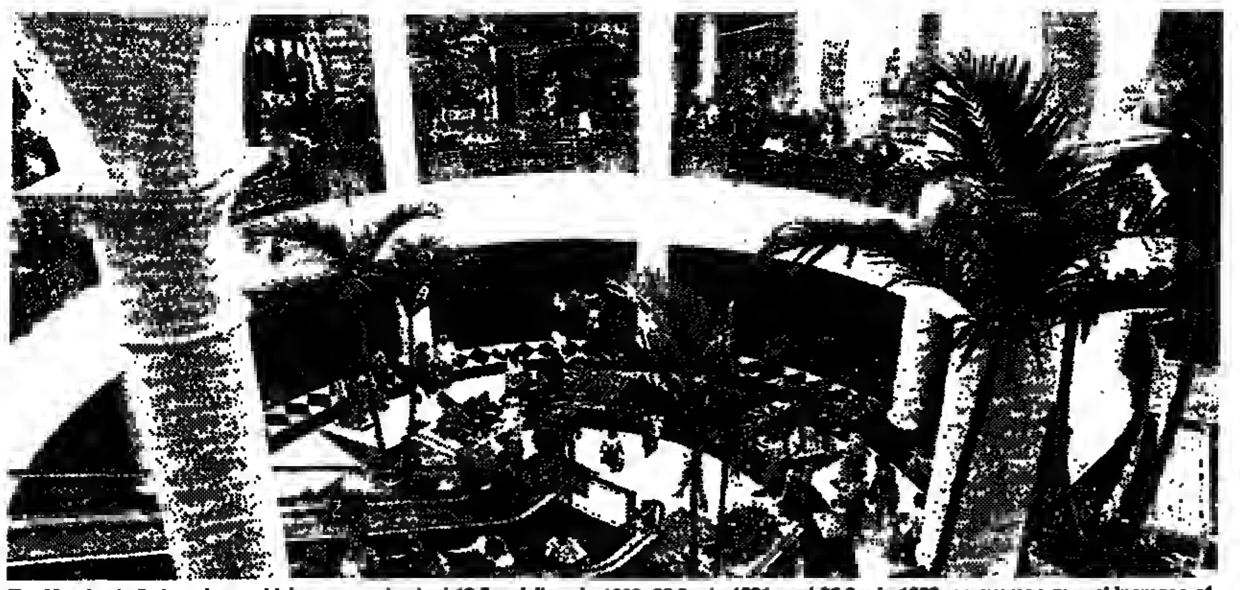
"It is better to work with government than against it. The climate seems to be improving," he says. Budgetary constraints are regretted, but will be addressed - "the former impression of chaos and crisis has been replaced by an orderly approach to a difficult situation," he adds.

On the World Student Games: "It was not bad luck; it was bad organisation. We didn't organise properly and it's a mistake we don't intend to repeat," he avers.

"Our strategy now is to maintain the manufacturing base and develop it. No one believes that is going to get us back to previous levels of employment, but we have to concentrate on getting the ingredients needed for investment right."

Even the most grudging members of the private sector will not quarrel with that.

Ian Hamilton Fazey



The Meadowhall shopping and leisure complex had 19.5m visitors in 1990, 22.3m in 1991, and 25.6m in 1992, an average annual increase of 13 per cent. This makes it Britain's biggest regional retail centre in terms of customers. Developed in the Lower Don Valley on the site the old Hadfield steelworks by Stadium Developments, it cost £270m and employs nearly 7,000 people. Its 1.5m sq ft of floor space is 95 per cent let, and its 285 shops include mainstays such as Marks & Spencer, House of Fraser, Debenhams and Sainsbury's.

Groundwork paves the way for further investment

The omens are good

ON PAPER, the Sheffield Development Corporation, established in 1988 to lead the drive for new investment, has done well.

It has spent £65.6m, largely on land acquisition and reclamation, in the last five years and has levered out £511m of private sector investment. Around 9,000 full-time equivalent jobs have been created.

However, a large portion of this private sector investment has gone into the Meadowhall shopping complex. This cost £270m to build and substantial further investment was made on fitting out the centre. Meadowhall now employs 7,000.

Planning permission for Meadowhall was granted in 1987, before the SDC was designated by government, so it does not claim credit for it. Elsewhere on the 2,000 acres of the Lower Don Valley covered by the SDC, the Don Valley Stadium and the Sheffield Arena have been built. But these were initiated and paid for by the city council for the World Student games in 1991.

However, Abbey National has taken up a some 60,000 sq ft of space in the Carbrook Business Park, close to Meadowhall and Junction 34 of the M1, although the company employs only 200.

Sheffield's two big relocations were long before the SDC's time – and outside its area. The Manpower Services Commission – now the Training Agency – brought in 2,000 jobs, while Midland Bank set up a headquarters operation in the late 1970s, which also now employs about 2,000.

The only significant recent job-creating relocation has been Norwich Union in 1990, with 1,300 now employed. Also, the SDC received a blow last year when the Royal Armouries museum – an important tourist attraction – looked certain to relocate from the Tower of London to Sheffield but switched to Leeds after failing to agree Sheffield's terms.

The overall result is Sheffield has clearly not done as well as other northern cities out of Britain's buoyant economy and vibrant property developments of the late 1980s. However, there are good reasons for this. Sheffield had been a predominantly industrial town right up until the 1980s. Service companies tended to go to Leeds or Manchester. There was, and remains, a shortage of office space in Sheffield. Little was built speculatively.

Moreover, the SDC did not have time to get sites ready to bid for the main wave of government department relocations, which were decided on at the end of the 1980s: it had far too difficult a job on its hands.

The Lower Don Valley had been the heartland of the old steel industry. It was full of heavy, dirty, ground-contaminating factories. The land they stood on was in widely fragmented ownership and there were still working factories there employing 18,000 people.

The SDC had to spend its first years not only assembling land but also reclaiming and servicing it.

So far, it has bought and assembled 430 acres, and reclaimed 290 acres. Some 80 acres have been landscaped. The SDC has also done something about the internal infrastructure. Several kilometres of a spine road have been built. Work has started on the first phase of the £240m Supertram project, a light rail system running from Meadowhall to the city centre, which will eventually form part of a citywide network.

Recession has also hitten: a proposed short-take-off-and landing airport has stalled because the developer has gone out of business. However, much of the work has been done on the project and there are hopes another developer will take over.

NOW that the ground work has been completed what are the prospects for Sheffield? The omens are good.

Mr Graham Kendall, the SDC's chief executive, estimates there is room for 7.5m sq ft of floorspace on the sites either prepared or being prepared.

A start has been made in speculative development. The SDC has an agreement with Glenlivet Properties for a high quality office development close to the city centre to be called Nunnery square. Eventually this could amount to 150,000 sq ft. This year £3m is being committed to the first 20,000 sq ft.

Mr Kendall says: "We feel high technology companies related to the steel industry will be attracted because of the infrastructure and the skilled labour."

There is also a good chance back-office, white-collar jobs will coma because of the availability their kind of labour. Relocation
of the Norwich Union insurance company helps explain why.

The company was having difficulty filling jobs in Norwich. It was 1988, the height of the economic boom. The Norwich was running out of labour: it could already provide jobs for every school leaver in Norfolk with 3 GCSEs.

In Sheffield – fundamentally a blue-collar city with a relative imbalance between manufacturing and service sector jobs – it found white-collar labour in abundance.

Mr Stuart Reynolds of the Development Office says: "Unlike Leeds and other popular relocation cities in the 1980s the potential office labour had not been mopped up."

Also, the accommodation was cheap – £10 a sq ft. It is now £13 a sq ft, which is substantially different to the current £19 a sq ft in Leeds.

Mr Andrew Sabire, the chairman of Glenlivet properties says: "We are hoping to establish £15 a sq ft as a prime rent for Sheffield. Our development will be only a minute or two from the M1 and there will be plenty of free car parking. I feel that Sheffield could be the big people provider of the 1990s."

The SDC has had its lifespan extended by two years until 1997 to ensure the regeneration process continues, much to the relief of Mr Hugh Sykes, its chairman, who feels its task has proved bigger than the government first anticipated.

The cost – at £10m of year of government funding – is modest, but the impact ought to be telling. Mr Sykes is keen to improve some obvious lingering eyesores, such as the canal basin end of the SDC's territory near the city centre, where recession caused two false starts to attempts at regenerating it.

He has also been a key influence with the city council on encouraging an ongoing study of what to do about the city centre, which looks rundown and shabby in parts. The two universities and the chamber of commerce are involved.

Importantly, the city council and SDC now seem more of team than ever before, the previous council regime having initially felt it should have run any development corporation and giving the SDC only grudging acceptance.

Mr Sykes, a prominent Conservative with good government contacts, is a central player in Sheffield with Mr Mike Bower, who became the Labour council's leader only a year ago.

"It would be foolish to say everything will be choc-a-bloc by 1997," Mr Sykes says, "but we will have changed the nature of the Lower Don Valley by then. It certainly will not be derelict."

Stewart Dalby and Ian Hamilton Fazey

The area's universities have a key role, says **Stewart Dalby**

New research links with industry and commerce

AS in many other British cities, the universities in Sheffield are playing a growing role in developing the regional economy, an inevitable result of government pressure on institutions of higher learning to be more business-like in running themselves.

This has meant looking for sources of finance other than government grants. In turn, this has led to closer links with industry through research and study contracts.

But it also owes something to the phenomenon that with the shrinking of manufacturing, the universities are becoming important players in new service and high technology sectors, both as employers and businesses in their own right and as trainers and teachers of skills for new as well as traditional industries.

Sheffield now has two universities. The University of Sheffield was created in 1905 out of the Sheffield Medical School, Firth College and the Sheffield Technical School. This university has a staff of 4,017, which makes it the third largest employer in the city after Sheffield City Council with 25,000 and Sheffield Health Authority with 12,800.

There is also Sheffield Hallam University which until last autumn was Sheffield Polytechnic. Sheffield Hallam employs 2,559. Between them the universities have over 20,000 full time students and over 30,000 part-time and full time.

Ms Denise Annett, head of communications at Sheffield Hallam, dates the strong growth of the university as a business institution not from the change to university status last year but from its release from local government control in 1989.

"It was then that student numbers and, accordingly, income, really began to climb," says Ms Annett. "With 20,000 students, income in 1991-92 was £70m, 46 per cent from national funding."

There has been a significant increase in income from other sources since 1986/87, albeit from a low base.

Whather as a increasingly independent institution or an adjunct of local government, Hallam has always had a strong vocational bias. Ms Annett says: "Courses in our 12 schools are drawn up in consultation with both local employers and national employer institutions. We run a lot of sandwich courses and we're always on the lookout for sponsorship and funding. We want our students to go into jobs when they leave here. In hiring staff we try and ensure a strong teaching background."

Research is not spurned altogether, although research and consultancy only accounted for 4 per cent of income in 1991/92. There is a Metals Research Institute. It earned £2.5m through consultancy and other projects in 1991/92. Various of the schools also undertake research and consultancy – the business school is undertaking a project on the coalfield closures for a nearby local council. The school of leisure and food management is involved in tourism and leisure projects.

Sheffield's universities are becoming important players in new service and high tech sectors

Other ways that Sheffield Hallam University is involved with the local community include close links with the local training and enterprise council and the Sheffield Development Corporation – "we are usually included when there are delegations to London to see ministers or government departments," says Ms Annett.

In contrast to Sheffield Hallam, the University of Sheffield emphasises both teaching and research. In his foreword to the 1991/92 annual report, Professor Gareth Roberts, the vice-chancellor says: "It seems inevitable that an even more diverse system of universities will emerge during the nineties. The University of Sheffield can expect to be in the top echelon of institutions that combine teaching and research in almost equal measure."

The university has 30 research units grouped in the eight faculties. There are also three trading companies and 19 specialist advisory services for industry and commerce operating within the university. Research grant contract income was £23m in 1991/92, an increase of 19 per cent over the previous year. This was out of a total income of £119m in 1991/92.

The university has strong links with the local economy through its research programme. In order to take this process further the university last month launched the University of Sheffield Regional Office. This will provide a focal point for the establishment of partnerships with local private and public sector organisations.

One of the first tasks for the Regional Office was to set up Plus the acronymic title for Project Link University of Sheffield. It is a scheme which helps businesses and public sector organisations such as hospitals to harness specialist expertise through collaborative student project work.

Dr Marilyn Wedgwood, director of the regional office says: "Undergraduates and post-graduates will work on project topics which bring practical benefits to organisations. Project topics are identified by the organisation and students complete the project as part of their work."

It is still early days for Plus, but a directory of subjects shows that out of 300 topics available for post graduates, some 175 are in the field of landscape, 45 in computer science and 120 in the field of leisure.

The regional office is looking at ways the university can involve itself in local economic regeneration and how it can establish fora and clubs. This should help the university to become more closely involved in the Sheffield economy.

هكذا من الأصل

LONDON STOCK EXCHANGE

US selling halts attempt to advance

By Terry Byland,
UK Stock Market Editor

RENEWED selling of the drug stocks from across the Atlantic put an end to an attempted rally in London's blue chip issues last night, although fresh demand for the second line stocks took the FT-SE Mid 250 Index to a new closing peak. Rights issues in the property sector came as no surprise, but the stock market again proved unable to move far from the Footsie 2,850 mark, which has established itself as the middle of the current trading range.

The market at first brushed off Wall Street's overnight fall and some £119.4m in fund-raising moves by two UK property groups. At best the Footsie was ahead by 10 points, helped by a momentary flicker of demand for stock index futures. However, Footsie 2,854.9 proved the best the market would accept and share prices drifted down in London towards the close when a fall of 16 Dow points as Wall Street opened, coupled with selling of Wellcome as first reports from a medical conference in Berlin reached London, took the shine off the UK stock market, taking it briefly into negative territory.

At the close, the FT-SE 100 was a net 0.4 off at 2,844.4, having rallied from an earlier 2.4 loss. But the FT-SE Mid 250 Index, which takes in a range of second line issues, jumped by 13.2 to a new all-time high of 3,198.1, comfortably surpassing the previous peak reached only a week ago.

Trading in non-Footsie stocks made up around 60 per cent of the day's Seaq total of 551.7m shares, which compared with 456.78m on Monday. But retail or customer business activity on the previous day fell to only £884m, the second recent daily session to fall well short of the £1bn figure regarded as the basis for profitable trading by the London securities industry.

With the stock market clearly unwilling to break away from its current trading range, the search for the investment traces of the big institutions continued. Traders believed these large investment houses were not sellers of UK equities but were ready buyers – but only at prices just below market levels. "They are certainly not chasing prices," said Mr Michael Hicks at Strauss Turnbull.

Hopes for a base rate cut have been placed on hold, at least until nearer to the Mansion House speech in the City of London by Mr Kenneth Clarke, the new UK chancellor of the exchequer.

The market also continues to await clearer evidence that the recovery in the UK economy is beginning to show through into company trading results. On this front, there was a significant response to the continued recovery in shares of British Aerospace, with several leading broking houses pointing to the outperformance of the stock.

But the outlook for the market as a whole is now clouded over by the persistent selling of drug stocks from the US. In addition to unsettling leading market indices and the rest of the blue chip sectors, this is now casting clouds over the progress of Zeneca, the new bioscience formed by the former interests of ICI.

The Zeneca issue, although carried off successfully at first, has now become a serious uncertainty for a stock market which is itself in doubts over its own high valuation at a time when it has lost all the gains achieved since the beginning of the year.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group†	4,500	69½	-½	De La Rue†	843	679	+4	MB Caradon†	2,500	293	+6	Siebe†	1,000	472	
Abbey National†	4,000	417	+7½	Dixons	1,600	208	-4	MEPC	743	441	+1	Slough Ests	1,300	217	+2
Albert Fisher	1,500	68	+4	Eastern Elect.	500	452	+7	MFI	2,000	134	-2	Smith (W.H.) A	141	442	+5
Allied-Lyons†	1,800	534	+1	East Midland Elect	273	447	+1	Manweb	99	520	+3	Smith & Nephew†	1,500	144¼	-2
Anglian Water†	2,200	458		Eng China Clays	2,200	435	+16	Marks & Spencer†	3,200	342	+1	SmKl Beecham†	1,900	435	-14
Argos	1,000	303	-2	Enterprise Oil†	667	467		Midlands Elect.	668	465	+5	SmKl Beecham Uts.†	2,500	384	-12
Argyll Group†	2,500	348	+4	Eurotunnel Units	126	425		Morrison (Wm.)	1,600	156	+1	Smiths Inds.	1,200	351	+6
Arjo Wiggins†	186	183		FKI	711	137	+1	NFC†	513	258	-3	Southern Elect.†	128	485	
Ass. Brit. Foods†	175	489		Fisons†	8,700	149	-8	NatWest Bank†	3,800	465	+4	South Wales Elect.	21	546	+1
Ass. Brit. Ports	825	494	+4	Foreign & Col. I.T.	227	228½	+1	National Power†	4,000	354	+3	South West Water	1,000	476	+6
BAA†	2,500	753	-17	Forte†	1,300	209	+1	Next	698	164	-1	South West Elect.	9	472	+1
BAT Inds.†	1,500	428	-2	Gen. Accident†	348	581	-1	North West Water†	785	450	-4	Southern Water	871	501	+8
[illegible]															
Bunzl	1,000	127		Kingfisher†	[illegible]							Warburg (SG)	373	720	
Burmah Castrol†	774	865	-5	Kwik Save†	[illegible]				2,500	290	+1	Wellcome†	3,000	728	-25
Burton	1,500	80	-½	Ladbroke†	2,10[illegible]				2,200	292		Welsh Water	1,400	556	-3
Cable & Wire.†	1,300	728	-1	Land Securities†	[illegible]				1,900	161	+2	Wessex Water	117	559	-7
Cadbury Schweppes†	1,000	443	-2	Laporte	[illegible]				1,500	486	+6	Whitbread 'A'†	668	475	+1
Calor Group	264	240	+3	Legal & General†	[illegible]				750	452	+5	Williams Hdgs.†	422	308	
Carlton Comms.†	704	783	-4	Lloyds Abbey	2,50[illegible]				852	340	+2	Willis Corroon	1,400	197	
Coats Viyella†	928	229	-1	Lloyds Bank†	4,40[illegible]				2,100	317		Wimpey	682	181	+1
Comm. Union†	405	598	-2	LASMO†	1,80[illegible]				1,500	98½	-1	Wolseley	117	801	-2
Cookson	456	200	-1	London Elect.	45[illegible]				1,200	176	+3	Yorkshire Elect.	178	508	+1
Courtaulds†	458	539	+5	Lonrho	2,10[illegible]				825	585	+5	Yorkshire Water	1,500	483	
Dalgety	389	482	+5	Lucas	1,70[illegible]				2,800	481	-3	Zeneca†	6,500	612	-5½
									3,400	615	+6				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	May 24	Jun 7	Jun 21
Option Declarations:	Jun 3	Jun 17	Jul 1
Last Dealings:	Jun 4	Jun 18	Jul 2
Account Day:	Jun 14	Jun 28	Jul 12

*New time dealings may take place from 8.30am two business days earlier.

Blows to drugs sector

THE DRUG stocks sector acted as a major dampener on the UK equity market as a series of unrelated developments drove share prices of most of the leading drug issues sharply lower.

Comments from the US Food and Drugs Administration on Boots' heart drug Manoplax, renewed weakness in Zeneca shares in the US overnight, and bearish views on Wellcome's anti-Aids drug Retrovir at a Berlin Conference on Aids, combined to leave the sector in disarray.

Also important was the belief that the outcome of the Clinton administration's review of the healthcare industry may not be known until September. Dealers said the sector could remain under pressure until the review is made public.

Wellcome was the main casualty, sliding 25 more to 728p as the Berlin conference's main session got under way.

This was believed to involve criticism of Retrovir by the Anglo-French "Concorde" study group. Analysts said "nothing new" had emerged during London trading hours and that much of the increased activity in Wellcome during the day reflected marketmakers "churning" the stock – actively buying and selling without taking a decisive position on the shares.

US pressure

US selling pressure, after a weak opening on Wall Street, saw Glaxo dip 8 more to 583p and SmithKline lose 14 to 435p.

Zeneca's £1.3bn rights issue looked increasingly under pressure as the day wore on, with overnight US selling the trigger for another difficult session in the stock. Zeneca "old" opened a fraction better at 619p but early selling soon told and the stock retreated to end a net 5½ lower at 612p, having dropped to within 9p of the 600p rights issue price at one point. Turnover in the "old" was 6.3m, similar to that in the new "nil-paid", which closed 5 lower at 14½p.

A leading drugs analyst said that, given the US's sharply diminishing appetite for drug issues over the past year, "the Zeneca issue could have been better timed; drug stocks are on long ratings and there is not much upside in sight."

Even ICI, whose shares have raced ahead from 608p since the Zeneca demerger became effective two weeks ago to touch 709p early yesterday, came under pressure, ending a volatile session unchanged on balance at 697p.

However, traders were by no means downhearted over the Zeneca issue; "There are still buyers of the shares and this could well be a great buying opportunity," said one.

Fisons' US launch of its Tilade anti-asthma drug, the success of which is seen by drug specialists as vital to the company's future, did nothing for the shares, which dropped 8 more to 149p, the lowest level for more than eight years and ensuring the stock's departure from the FT-SE 100 list. Turnover in the stock was a substantial 8.7m shares.

Boots upset

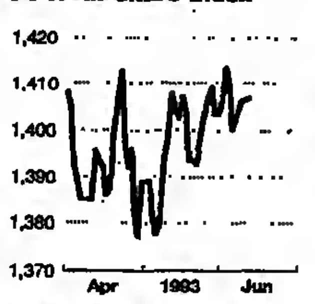
A warning over the risks of the heart drug Manoplax pushed down the shares of its maker, Boots. The price of the retail and drugs company fell 5 to 435p in a volume of 2.3m after the Washington-based pharmaceuticals newsletter the Pink Sheet highlighted problems with the drug.

Its 100ml dosage must now carry a warning after trial data found that patients taking high dosages were more likely to die than those not taking the drug. One analyst said the revelations added to a question mark over the credibility of Boots and that there must be a long-term doubt over the long-term risk.

BAe in demand

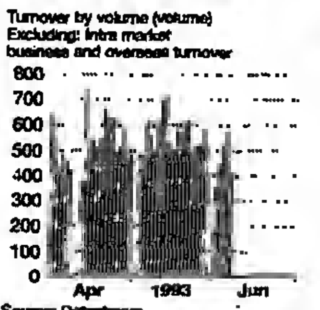
A clutch of broker's recommendations drove British Aerospace sharply forward by 22 to 409p in heavy trading of 8m shares. The advance placed BAe on the threshold of re-entry into the premier list of FT-SE 100 companies.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

The stock was also among the most heavily traded in the stock option sector with the equivalent of 1.7m shares dealt.

Kleinwort Benson, SG Warburg and Smith New Court all reiterated their buy recommendations on the stock. Mr Chris Tarry at Kleinwort Benson said: "The impending Paris Air show will focus attention on the positive developments and the new found confidence at the company," a view echoed by rival brokers.

The recent advance in the stock began with last week's announcement of the sale of BAe's corporate jets business at a price in excess of market forecasts. It gathered momentum with speculation earlier this week that BAe was likely to win an order for 200 Hawk aircraft with a value of up to £4bn. Further good news is expected at the Paris air show next week.

G.Portland firm

Great Portland Estates, the property investment company, managed to pull off the unusual achievement of a rise in share price on the back of a rights issue and a dividend cut. The shares finally gained 8 to close at 197p after the market responded favourably to the one for four £95m cash call that is making to mount acquisitions.

Great Portland is looking to spend £70m on retail properties and office space. The company made its move in a generally optimistic climate in the sector.

"This won't be the last rights issue we see in property and investors are seeing them as an opportunity for the sector to regenerate," said one analyst. Another saw buoyancy remaining while the appetite of investors remained strong.

Great Portland's clear stated intentions for the cash injection and the fact that the dividend cut for this year from 10p to 8p had been flagged at the interim stage last November inspired the confidence of the market. And at 150p per share the rights pricing was well-viewed.

The UK's two principal quoted holiday companies, Airtours and Owners Abroad raced higher after leisure analysts adopted a much more bullish view of the holiday travel business.

"Volumes and achieved margins look set to show good growth this summer," said Mr Roy Owens, a leisure specialist at Smith New Court, the stockbroker.

Airtours also continued to attract keen interest in the market amid persistent talk that the company is about to launch a move to acquire Hogg Robinson travel agencies.

Airtours jumped 9 to 318p. Owners Abroad rose 7 to 102p.

Other leisure stocks performed exceptionally well, led by Rank Organisation which added 24 to 744p.

Dixons fell back 4 to 208. Analysts suggested that the stalling of the planned flotation by Clydesdale, the chain of electrical retailers in Scotland and northern England, may have dented confidence.

260p.

Vodafone's recent strong performance was halted by a bout of profit-taking after the group announced profits at the very top of the market's range and matched best estimates for the dividend.

At the close Vodafone shares were 14½ lower at 451p after turnover of 8m.

Strong demand for English China Clays early in the session saw the shares race forward. Some early gains were surrendered and the shares closed 16 up at 435p.

Southend Properties did not match the success story of Great Portland when it announced a £24m convertible issue and a cut in dividend. Its shares slid from 82 to 70p. One analyst blamed the downward movement on a feeling that the dividend cut was a surprise and seemed to be "quite defensive".

Thorn EMI closed 5 lighter following a presentation to analysts. However it was worries about the trading statement at next Monday's annual meeting that left Ladbroke Group, 3 lighter at 185p. Christian Salvesen eased 3 to 352p, in nervous trading ahead of tomorrow's results.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christine Buckley.

■ Other statistics, Page 20

FINANCIAL TIMES EQUITY INDICES

	June 8	June 7	June 4	June 3	June 2	Year ago	*High	*Low
Ordinary share	2224.5	2224.2	2213.1	2225.4	2230.2	2058.8	2258.5	2124.7
Ord. div. yield	4.16	4.15	4.17	4.14	4.13	4.51	4.52	4.07
Earning yld % full	5.29	5.29	5.30	5.27	5.26	6.80	6.38	5.28
P/E ratio net	23.85	23.88	23.79	23.95	24.00	18.87	24.08	19.42
P/E ratio nil	22.24	22.28	22.19	22.34	22.38	17.40	22.35	18.14
Gold Mines	184.3	186.1	192.2	197.4	182.5	104.7	202.7	80.0

*For 1993. Ordinary share index since compilation: high 2258.5 10/5/93 - low 49.4 26/6/40. Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2223.4	2224.0	2225.2	2223.6	2221.1	2220.8	2221.4	2223.5	2224.8	2229.3	2220.4

	June 8	June 7	June 4	June 3	June 2	Year ago
SEAQ Bargains	26,818	28,193	32,390	29,283	29,217	22,502
Equity Turnover (£m)†	-	884.4	1371.2	1310.7	1185.6	1015.5
Equity Bargains†	-	32,753	37,498	35,795	33,535	24,841
Shares traded (mil)†	-	403.8	581.6	531.0	480.9	384.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (206).
AMERICANS (3) Cadiz Land, Chrysler, Ford, CANADIANS (1) Gulf Can., BANKS (8) Allied Irish, Anglo Irish, Banco Santander, Dai Ichi, Mitsui, Ocioman, Tokai, Toyo, Yasuda, [illegible]

EQUITY FUTURES AND OPTIONS TRADING

THE derivatives sector opened well in London as US buyers chased the June futures contract on the FT-SE 100 Index. The contract quickly advanced to the 2,850 area, but then ran into a stone wall as the buyers faded away and a handful of nervous sellers chipped away at the earlier levels.

US buying appeared to be no more than position closing in London by two US investment houses seeking to cover overnight losses in New York. For the rest of the session it was the London locals, or independent traders, who held sway.

There was further switching of holdings in the June contract into the September paper, which will take over leadership of the market later this month. Dealers said the differential of around 20 points between the two was in line with expectations at this stage.

Business in traded options fell to 19,037 contracts from Monday's 26,069, with the FT-SE 100 option decreasing its contribution sharply to 2,893. Among individual contracts, British Aerospace, feeding off a strong share price, topped the actives with 1,762 lots. Dealers see the stock's strong performance since the end of last year as confirmation of recovery prospects.

British Airways was close behind with 1,423 lots dealt, and there was renewed interest in TSB (1,223 contracts), although traders saw no reason for the renewed bid speculation.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2844.4 -0.4	3198.1 +13.2	1407.88 +1.18

	Jun 8	Day's change %	Jun 7	Jun 4	Jun 3	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2844.4	—	2844.8	2829.9	2852.8	2635.4	6.12	4.05	20.37	48.39
FT-SE Mid 250	3198.1	+0.4	3184.9	3175.1	3183.8	2715.0	5.78	3.67	22.09	41.69
FT-SE-A 350	1421.4	+0.1	1420.2	1413.5	1423.2	1292.5	5.64	3.96	20.73	22.91
FT-SE SmallCap	1630.48	+0.1	1628.45	1625.87	1626.31		4.40	3.49	31.92	21.85
FT-SE SmallCap ex Inv Trusts	1641.34	—	1640.97	1638.70	1639.39		4.86	3.69	23.77	22.72
FT-A ALL-SHARE	1407.88	+0.1	1406.70	1400.30	1409.32	1278.56	5.94	3.93	21.19	22.44

	Jun 8	Day's change %	Jun 7	Jun 4	Jun 3	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
1 CAPITAL GOODS(213)	1000.18	+0.5	995.27	990.93	994.47	873.38	4.50	3.95	29.70	18.58
2 Building Materials(27)	1109.91	+0.4	1105.57	1094.67	1097.49	1002.86	3.65	4.27	38.29	18.38
3 Contracting, Construction(29)	973.40	+0.8	967.82	962.56	964.58	854.71	1.34	3.37	80.00†	13.43
4 Electricals(15)	2948.23	+0.5	[illegible]							
5 Electronics(37)	2702.43	+0.3	[illegible]							
6 Engineering-Aerospace(7)	415.72	+3.1	[illegible]							
7 Engineering-General(51)	565.81	+0.4	[illegible]							
8 Metals & Metal Forming(11)	426.01	-0.3	[illegible]							
9 Motors(16)	408.46	+0.7	[illegible]							
10 Other Industrials(18)	2080.85	+0.3	[illegible]							
21 CONSUMER GROUP(238)	1628.85	-0.2	[illegible]							
22 Brewers and Distillers(29)	1882.65	+0.7	[illegible]							
25 Food Manufacturing(22)	1259.61	-0.3	[illegible]							
26 Food Retailing(16)	3048.10	+1.1	[illegible]							
27 Health & Household(30)	3408.54	-1.6	[illegible]							
29 Hotels and Leisure(20)	1307.89	+0.4	[illegible]							
30 Media(33)	1987.44	+0.7	[illegible]							
31 Packaging and Paper(24)	855.25	+0.4	[illegible]							
34 Stores(39)	1140.16	-0.1	[illegible]							
35 Textiles(20)	794.79	+0.3	[illegible]							
40 OTHER GROUPS(140)	1477.13	-0.2	[illegible]							
41 Business Services(27)	1578.71	-0.8	[illegible]							
42 Chemicals(23)	1556.23	-0.3	[illegible]							
43 Conglomerates(11)	1422.06	-0.5	[illegible]							
44 Transport(15)	2947.17	-0.3	[illegible]							
45 Electricity(16)	1743.80	+0.4	[illegible]							
46 Telephone Networks(4)	1728.08	-0.1	[illegible]							
47 Water(13)	3185.74	-0.3	[illegible]							
48 Miscellaneous(31)	2238.90	-0.6	[illegible]							
49 INDUSTRIAL GROUP(589)	1433.86	—	[illegible]							
51 Oil & Gas(18)	2482.47	+0.2	[illegible]							
59 "500" SHARE INDEX(608)	1526.52	—	[illegible]							
61 FINANCIAL GROUP(99)	1026.38	+0.5	[illegible]							
62 Banks(9)	1420.15	+0.9	[illegible]							
65 Insurance (Life)(6)	1998.94	+0.6	[illegible]							
66 Insurance (Composite)(7)	649.57	-0.5	[illegible]							
67 Insurance Brokers(10)	807.97	+0.3	[illegible]							
68 Merchant Banks(6)	676.57	-0.1	[illegible]							
69 Property(29)	906.86	+0.2	[illegible]							
70 Other Financial(23)	368.40	+0.5	[illegible]							
71 Investment Trusts(108)	1495.96	+0.5	[illegible]							
99 FT-A ALL-SHARE(803)	1407.88	+0.1	1406.70	1400.30	1409.32	1278.56	5.94	3.93	21.19	22.44

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2844.8	2846.1	2854.1	2852.3	2844.4	2843.5	2842.6	2843.3	2842.5	2854.9	2842.4
FT-SE Mid 250	3185.7	3187.3	3193.2	3195.7	3195.1	3195.8	3195.8	3197.5	3197.7	3198.1	3185.7
FT-SE-A 350	1420.3	1421.0	1424.7	1424.2	1421.1	1420.8	1420.5	1421.7	1420.5	1425.1	1420.3

Time of FT-SE 100 high: 10.24 am low: 3.34 pm

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Construction	1887.3	1888.8	1891.5	1890.5	1890.5	1890.5	1890.5	1890.5	1893.4	1893.4	1883.4	+10.0
Health&H	1042.5	1042.5	1041.8	1036.8	1028.8	1027.7	1027.5	1027.9	1025.6	1025.4	1044.2	-18.8
Water	1324.5	1324.8	1326.7	1327.3	1327.0	1327.0	1321.0	1322.2	1319.8	1319.1	1323.7	-4.6
Banks	1713.9	1714.6	1723.1	1728.9	1725.8	1728.0	1728.0	1728.1	1725.9	1728.2	1714.4	+14.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

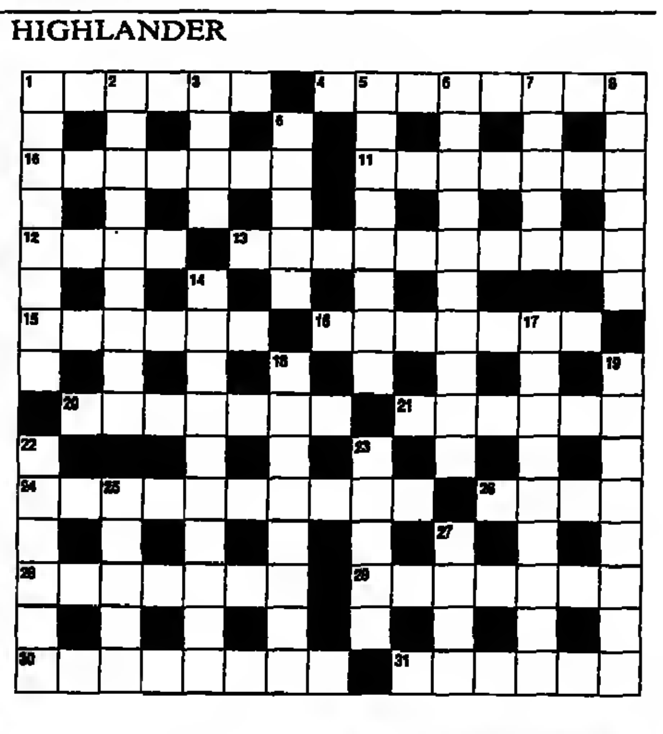
No.8,171 Set by HIGHLANDER

ACROSS

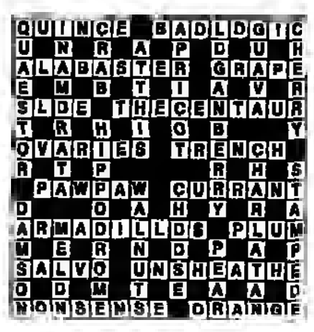
1 Cancelled to discourage delay (3,3)
4 Smell a strike if liquid fuel is backed (8)
10 Reorganisation shock at university after very short period (5-2)
11 Begin to come round one beam from hit on head (7)
12 Accommodation with no frontage on river (4)
13 Countryman comes across little competition at street fighting (10)
15 Pass more outside a parking area (6)
16 Turn in unfinished firearm (7)
20 Remains to organise group of students meeting for discussion (7)
21 There's part of neck or back in that (6)
24 Traveller goes back to embassy for authorisation (10)
26 Lamp replacement is in hand (4)
28 Run towards triple knocking sound (7)
29 It's glorious under the tree (7)
30 Bill has gone in, ridden the waves and risen to the top (6)
31 Position for half-standard in front of church (6)

DOWN

1 Disregard religious festival (4,4)
2 Otherwise express coaches abandon one not on time (9)
3 Think payment is over a pound (4)
5 Agreed to pay as usual (8)
6 The poor sap incorrectly indicates letter is missing (10)
7 Horseplay starts to get irresponsible and mushrooms (5)
8 Undress in fresh air, say (6)
9 A month on the stage (5)
14 House plant which makes Pat sad and Iris wild (10)
17 One of the strings on it represented an infringement (9)
18 Recording group appears in class (8)
19 Rush mats go over top section of pedestal (8)
22 Shows off in athletics meeting (6)
23 Drink to put on table for breakfast (5)
25 It turns too erratically between runs (5)
27 Be next to go round the Horn? (4)



Solution to Puzzle No.8,170



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅛xd	+⅛	20⅞	15⅝	14,232	2.3
Allegheny & W.	♥	594p	+10	617p	396p	308.7	3.2
Amdahl		363p	+1	691p	302½p	417.7	6.9
Amer Cyanamid		34⅛	+⅛	38⅝	31¾	3,087	3.0
Amer Express		18⅝xd	-⅛	19½	14⅞	8,963	3.4
Amer T & T		40¼xd	+⅛	40⅞	33¼	54,276	2.6
Ameritech		48⅛	+⅛	53⅝	46	21,344	4.7
BankAmerica		27⅝xd	-⅛	38⅛	27⅛	9,690	3.2
Bankers NY		40xd	-1⅛	51⅛	42⅛	3,692	4.3
Bell Atlantic		34⅛	-1½	39⅛	32¼	15,095	4.6
BellSouth		35	—	39⅞	32⅛	17,280	5.5
Bethlehem Steel	♥	12¾xd	+⅛	13⅞	10	1,140	-
Bowater		1393pxd	-22	1692p	1335p	904.8	1.6
CPC		27⅞xd	-⅛	34⅝	20	4,222	2.9
Cadiz Land Inc	♥	149p	+16	149p	63p	—	-
California Engy		1356p	—	1478p	1086p	247.2	-
Chase Manhattan		18⅞xd	-⅛	24½	17⅞	2,940	4.8
Chrysler		30½xd	+⅛	30⅝	21¼	8,088	1.2
Citicorp		17⅛xd	-⅛	20⅛	13⅞	6,374	-
Colgate-Palm		35¼xd	-1	45⅝	35¼	6,028	2.2
Cont'l Bank		1436p	-66	1677p	1278p	1,460	2.6
Dana		35⅞xd	-⅛	35⅞	29½	1,827	2.9
Data General		706p	+2	861p	593p	185.6	-
Decora Inds	♥	131p	-1	146p	109p	—	-
Dun & Brad		38⅝	-⅞	42⅛	37⅛	6,636	4.6
Eaton		59⅛	+⅛	59⅝	50⅝	2,662	2.3
Echlin		17⅞xd	-⅛	18⅞	15⅛	1,016	2.5

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Mines	Notes	Price	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Greenwich Res		19	-1/4	22 1/4	5	14.8	-
Hemlo Gold C$		26 1/8	-1/8	26 5/8	£3 1/2	592.7	1.5
Ivernia West I£		61	-	57	31	25.0	-
Kells Minls I£		12	-	13	6	0.28	-
Kenmare		10 1/2	-	13 1/2	6	18.0	-
Malinga Res		15	-1	25 1/2	13 1/2	1.88	-
Navan Res I£		58	+1	58	25	10.8	-
5pc Ln Notes		58	+1	55	25	10.8	-
Oryx Gold		62 1/2	-	71	47	-	-
Ovoca Res I£		3 1/2	-	3 1/2	3 1/2	0.24	-
RTZ		647xd	+8	708	607	6,883	4.0
Vizcaya		5 1/4	-	5 1/4	2 1/4	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡1 Not officially UK listed; dealings permitted under Rule 535(2)
- ℔ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- † Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
6 Forecast annualised yield, p/e based on prospectus or other official estimates.
7 Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt on capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	6	263.8	263.8	278.9	+4.7	0.79
S & W Capital	5	117.8	117.8	128.4	+0.5	1.66
S & W Cash	0	100.67	100.67	100.67	+0.04	5.31
S & W European	5	112.2	112.2	118.7	+0.4	1.25
S & W Far Eastern	5	149.2	150.5	159.6	—	0.00
S & W Growth	6	125.7	127.0	134.8	+3.4	1.32
S & W Income	6	112.6	113.1	119.7	-0.3	4.81
S & W Managed	0	124.1	124.1	123.3	+0.5	1.56
S & W Smlr Secs	6	318.0	322.6	341.3	+0.7	0.51
S & W Thoroughbred	5	143.5	143.5	154.2	+0.8	1.48

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.73	49.73	50.23	—	5.3
Calvin Primaco	5½	56.78	58.10	59.84	+0.75	6.0
Ethical	5½	32.39	53.33	56.73	+0.32	2.0
European Growth	5½	56.85	57.20	61.01	+0.40	3.1
Income	5½	51.67	52.11	55.56	+0.27	5.7
Intl Growth	5½	79.38	79.91	85.25	+0.40	3.0
Managed	5½	69.74	70.43	75.12	+0.30	3.6
Int Growth	5½	55.92	56.62	60.28	+0.30	4.5

Standard Life Tst Mngmt Ltd (0730)H
2 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	6¼	43.70	43.70	46.46	+0.2	1.71
UK Equity Gth Acc	5¼	58.22	60.29	63.80	-0.3	1.69
UK Eq High Inc Inc	6¼	34.71	34.71	36.89	+0.2	3.90
UK Eq High Inc Acc	6¼	41.22	41.22	43.80	+0.2	3.90
UK Equity Gen Acc	6¼	53.47	54.48	57.87	+0.3	2.31
UK Equity Gen Inc	6¼	40.44	41.19	43.77	+0.2	2.31
UK Larger Cos Acc	F 7½	365.4	370.3	401.8	+1.9	3.88
UK Larger Cos Inc	F 7½	280.6	284.4	308.6	+1.4	3.86
Gilt & Fxd Int Inc	6¼	29.70	29.78	31.50	—	6.71
Cont Lrg Cos Acc	F 7½	274.6	278.2	302.0	-1.0	1.43
Nth American Acc	5¼	42.07	42.34	44.99	-0.5	0.75
[illegible]						

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	2613.64	622.86	-6.96	1.53
Gen Exempt	2162.30	166.81	-0.20	3.02
Jap Exempt	2625.30	636.42	+0.74	0.00
Pacific Exempt	2165.60	159.40	+0.35	1.55
Cont Euro Exempt	2118.65	720.82	+0.51	2.64

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc June 2	182.8	190.3	+0.7	3.59
Balanced Inc June 2	181.9	188.8	+0.7	3.59
Latin American Acc June 2	97.15	99.40	+0.4	1.96

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 14	553.83	557.38	—	3.7
Gross May 14	208.34	211.83	—	9.96
High Yield May 14	334.70	337.38	—	7.71

* Restricted to monies under Court control

Gowett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	109.92	113.11	+0.49	3.33

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	61.63	62.91	+0.73	2.87
Henderson TR				
Ex European	1323	1331	+6	2.83
Ex Nth American	1385	1408	-12	1.85
Ex Pacific Basin	974	982	+3	1.40
Ex Smaller Cos Inc	1911	2021	—	4.31
Ex Smaller Cos Acc	2046	2165	—	4.31

INVESCO MIM Management Ltd
Exempt Funds

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Pens		157.2	+0.6	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	416.4	438.3	-0.1	-
Managed Init	294.7	310.2	-0.1	-
Equity Ord	621.7	654.4	-0.1	-
Equity Init	440.0	463.2	-0.2	-
Index Linked Gilt Ord	193.7	203.9	—	-
Index Linked Gilt Init	143.2	150.7	—	-
Overseas Equity Ord	337.2	354.9	-0.4	-
Overseas Equity Init	230.7	251.3	-0.2	-
Property Ord	227.6	238.8	+0.1	-
Property Init	160.7	169.2	+0.1	-
Fixed Interest Ord	258.1	271.7	+0.1	-
Fixed Interest Init	182.7	192.3	+0.1	-
Deposit Ord	198.8	209.8	+0.1	-
Deposit Init	139.1	146.4	—	-
Pension Funds				
Managed Ord	549.2	578.1	-0.1	-
Managed Init	388.7	409.2	-0.2	-
Equity Ord	848.9	891.8	-0.2	-
Equity Init	598.5	631.1	-0.2	-
Pen Ind Lkd Gilt Ord	220.5	232.1	—	-
Pen Ind Lkd Gilt Init	163.0	171.8	-0.1	-
Overseas Equity Ord	392.0	412.6	-0.2	-
Overseas Equity Init	277.4	292.0	-0.6	-
Property Ord	289.7	304.9	+0.1	-
Property Init	205.1	215.9	+0.1	-
Fixed Interest Ord	335.9	353.3	+0.2	-
Fixed Interest Init	237.8	250.0	—	-
Deposit Ord	287.5	302.6	+0.1	-
Deposit Init	203.5	214.2	—	-

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

Prufund	Bid Price	Offer Price	+ or -	Yield Gross
Managed June 2	300.3	212.9	—	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 0734 494852

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	405.0	426.4	-0.80	-
Equity	505.2	531.5	-1.00	-
Property	239.4	252.0	—	-
International	403.1	424.4	-0.30	-
Japanese	112.6	118.1	-0.20	-
Asia Pacific	140.9	147.8	+1.80	-
European	108.3	114.1	+0.20	-
American	141.7	149.2	-1.20	-
Fixed Interest	334.5	352.2	-0.10	-
Index-Linked Gilt	185.3	195.1	—	-
Cash	210.8	221.4	—	-
Life Funds (Second Series)				
Managed	112.7	118.7	-0.20	-
Equity	108.8	114.4	-0.20	-
Property	100.6	105.9	—	-
International	124.6	101.2	-0.10	-
Japanese	110.1	125.4	-0.20	-
Asia Pacific	127.4	144.7	+1.40	-
European	107.4	113.1	+0.10	-
American	138.5	145.8	-1.20	-
Fixed Interest	125.8	132.5	—	-
Index-Linked Gilt	118.5	124.8	+0.10	-
Cash	109.8	114.8	—	-
Pension Funds				
Building Society	173.1	182.3	—	-
Managed (Init)	230.1	247.8	-0.60	-
Managed (Acc)	465.1	489.6	-1.20	-
Equity (Init)	263.5	277.4	-1.00	-
Equity (Acc)	521.4	548.9	-1.80	-
Property (Init)	142.7	150.3	—	-
Property (Acc)	282.4	297.3	—	-
International (Init)	239.8	252.3	-0.40	-
International (Acc)	474.2	499.2	-0.70	-
Fixed Interest (Init)	224.5	236.4	—	-
Fixed Interest (Acc)	444.3	467.7	—	-
Cash (Init)	154.9	162.2	—	-
Cash (Acc)	304.8	320.8	—	-
Others				
Capital Guarantee Bond	99.0	104.3	-0.10	-

Scottish Equitable Life Assce. Soc.

28 St Andrew Sq, Edinburgh 031-556 0101

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GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen breaks new records

THE Japanese yen continued its sharp upward progress against the dollar yesterday, touching a new high and defying several rounds of intervention from the Federal Reserve, *writes James Blitz.*

In recent weeks, the yen has been well underpinned in the run up to the next round of trade talks between the US and Japan, and the summit next month of the Group of Seven leading industrial nations. The US administration is expected to call for a strong yen at both meetings to help reduce Japan's overwhelming trade surplus with the US.

Yesterday's moves came in spite of the lack of any fresh news in the market. However, the absence of any Fed intervention on Monday had surprised the market, and tempted dealers to buy the Japanese currency yesterday.

The yen hit a post-war high of 105.90 per dollar in early US trading, prompting the Fed to intervene. The Japanese currency later closed at Y106.35 in London from previous Y107.30.

Mr Neil MacKinnon, chief currency strategist at Citibank in London, continues to believe that "the dollar has Y100 written all over it." He believes that this week's Tankan report on the Japanese economy is likely to show the yen's appreciation continuing to hurt Japanese exporters, raising speculation about the need to introduce a third fiscal stimulus to the economy.

The dollar's plunge against the yen contrasted with another comparatively good performance against the D-Mark, which was in the throes of all-round weakness.

Part of the reason for the dollar's rise against the German currency was a comment from Mr Lawrence Lindsey, a Federal Reserve Governor, who said that the central bank's goal was to keep inflation down.

This raised speculation that the US might raise its short-term interest rates later this year, narrowing the differential between US and German rates. The dollar closed up nearly half a pfennig on the day at DM1.6235.

The D-Mark was also weaker in Europe, partly as a by-product of the peseta's strength in the wake of Mr Felipe González's general election victory.

The German currency slipped to a close of Pta76.51 from a previous Pta76.84. It was also weaker against the Italian lira, closing at L909.1 from a previous L915.2. Sterling failed to gain from the general strengthening against the D-Mark, closing unchanged at DM2.4650.

The German currency's softness came despite the strong view in the market that the Bundesbank would either leave its repo rate unchanged at 7.60 per cent in its weekly intervention today, or cut it by 1 or 2 basis points.

The high level of German bond yields makes it unlikely that the Bundesbank will ease policy quickly. 10 year German bond yields were yesterday at between 6.85 per cent and 6.90 per cent, having been as low as 6.4 per cent earlier in the year.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	185.545	-3.79	4.54	64
Spanish Peseta	154.250	149.707	-2.95	3.63	51
Irish Punt	0.808628	0.801693	-0.86	1.45	42
Dutch Guilder	2.19672	2.19156	-0.23	0.81	10
Belgian Franc	40.2123	40.1565	-0.14	0.72	11
D-Mark	1.94964	1.95344	0.19	0.38	-8
Danish Krone	7.43679	7.47453	0.51	0.07	-20
French Franc	6.53883	6.57646	0.58	0.00	-28

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jun 8	Latest	Previous Close
£ Spot	1.5220 - 1.5230	1.5220 - 1.5230
1 month	0.37 - 0.37pm	0.35 - 0.34pm
3 months	0.95 - 0.97pm	0.93 - 0.97pm
12 months	3.00 - 2.90pm	3.00 - 2.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 8	Previous
8.30 am	78.0	79.1
9.00 am	79.0	79.2
10.00 am	79.1	79.2
11.00 am	79.1	79.2
Noon	79.1	79.2
1.00 pm	79.1	79.2
2.00 pm	79.0	79.1
3.00 pm	79.0	79.1
4.00 pm	79.0	79.2

CURRENCY RATES

Jun 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.923670	0.783032
US Dollar	3.00	1.41591	1.20362
Canadian $	6.40	1.80967	1.54571
Austrian Sch	7.75	16.1923	13.7464
Belgian Franc	8.50	47.3126	40.1565
Danish Krone	8.25	8.88638	7.47453
D-Mark	7.25	2.30094	1.95344
Dutch Guilder	6.50	2.58375	2.19156
French Franc	10	7.75635	6.57646
Italian Lira	10.50	2090.65	1777.92
Japanese Yen	2.50	152.281	129.338
Norway Krone	8	9.74571	8.28665
Spanish Peseta	—	176.463	149.707
Swedish Krona	11.50	10.3142	8.71597
Swiss Franc	5.00	2.06907	1.74975
Greek Drach	19	N/A	265.467
Irish Punt	—	N/A	0.801693

* Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculation. ‡ All SDR rates are for June 7

CURRENCY MOVEMENTS

Jun 8	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	79.0	-30.30
U.S. Dollar	63.8	-14.00
Canadian Dollar	93.1	-8.22
Austrian Schilling	113.5	+15.70
Belgian Franc	115.0	+1.28
Danish Kroner	117.3	+11.52
D-Mark	123.1	+30.60
Swiss Franc	111.6	+20.03
Dutch Guilder	118.7	+20.56
French Franc	109.3	-0.84
Lira	82.9	-32.89
Yen	178.7	+118.30
Peseta	91.1	-30.57

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100). **Rates are for June 7

OTHER CURRENCIES

Jun 8	£	$
Argentina	1.5135 - 1.5160	0.9985 - 0.9995
Australia	2.2665 - 2.2695	1.4930 - 1.4945
Brazil	[illegible]	[illegible]
Finland	8.2975 - 8.3485	5.4860 - 5.5000
Greece	351.040 - 357.660	235.870 - 237.500
Hong Kong	11.7750 - 11.7275	7.7270 - 7.7275
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	50.60 - 50.70	33.40 - 33.50
Malaysia	3.8715 - 3.8815	2.5545 - 2.5555
Mexico	4.7430 - 4.7450	3.1250 - 3.1270
N.Zealand	2.8360 - 2.8400	1.8690 - 1.8715
Saudi Ar	5.6840 - 5.6955	3.7495 - 3.7505
Singapore	2.4380 - 2.4440	1.6060 - 1.6085
S.Af (Cm)	4.8295 - 4.8400	3.1865 - 3.1880
S.Af (Fn)	6.9855 - 7.0110	4.6100 - 4.6200
Taiwan	39.25 - 39.40	25.85 - 25.95
U.A.E.	5.5660 - 5.5785	3.6715 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

Jun 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5130 - 1.5220	1.5180 - 1.5190	0.38-0.36cpm	2.92	1.09-1.07pm	2.85
Canada	1.9445 - 1.9580	1.9485 - 1.9495	0.27-0.18cpm	1.39	0.51-0.35pm	0.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.80-1.75pm. 12 Month 3.02-2.92pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5130 - 1.5220	1.5180 - 1.5190	0.38-0.36cpm	2.92	1.09-1.07pm	2.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 4⅛-4⅜ per cent; three years 5⅛-4⅜ per cent; four years 5⅜-5⅞ per cent; five years 5⅞-5⅞ per cent nominal. Short term rates are call for US Dollar and Japanese Yen, others, two days' notice.

EXCHANGE CROSS RATES

Jun 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.519	2.465	161.5	8.300	2.213	2.765	2241	1.940	50.66	188.8	1.262
$	0.658	1	1.628	106.3	5.466	1.457	1.820	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.408	0.616	1	65.52	3.368	0.898	1.122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	6.192	9.406	15.26	1000.	51.41	13.70	17.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.204	1.829	2.989	194.5	10.	2.665	3.330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.452	0.686	1.114	72.98	3.752	1	1.249	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.362	0.549	0.892	58.41	3.003	0.800	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.446	0.678	1.100	72.07	3.705	0.988	1.234	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.513	0.779	1.265	82.66	4.260	1.155	1.419	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.974	2.998	4.867	310.0	16.39	4.369	5.458	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.530	0.805	1.307	85.63	4.402	1.173	1.466	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.782	1.204	1.953	128.0	6.579	1.754	2.191	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesets per 100.

MONEY MARKETS

Euromarks strengthen

INTEREST rate futures in both France and Germany were slightly stronger yesterday, although most dealers assumed that the Bundesbank's repo rate would be, at best, barely changed in today's money market operation, *writes James Blitz.*

Bundesbank council members have raised concern about the potential weakness of the D-Mark and the growth in M3 money supply – and an aggressive easing of monetary policy is therefore unlikely in the near term.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

The German central bank announced yesterday that it would be holding a variable rate repo for both the 14-day and 28-day maturities.

Conditions in the cash market were also a little easier. German call money was a few basis points lower in a quiet market which was supplied with ample liquidity. Call money traded at around 7.87 per cent from 7.90 per cent earlier in the day.

With slightly easier money market conditions, D-Mark interest rate futures were stronger. The June Euromark contract was up 2 basis points on the day to close at 92.48. The September contract, which is more heavily traded, was 7 basis points higher at 93.30. At this level it is pricing 3-month D-Marks in the autumn at 6.70 per cent, some 85 basis points lower than yesterday's cash level.

French franc interest rate futures were also stronger on the day, partly helped by the firmer performance of the French franc on the currency markets.

The June Pibor contract closed 3 basis points higher from its opening level at 92.60, while the September contract closed 5 basis points higher from its opening level at 93.39.

Sterling markets were fairly quiet as speculation about another near-term base rate cut in the UK continued to subside.

In the cash market, a £900m daily shortage forecast from the Bank of England was fairly easily removed, with what one dealer described as a good stock of bills. There was late assistance of £85m, and the overnight lending rate hovered between 5¾ per cent and 6 per cent.

Three-month money closed unchanged at around 5⅞ per cent. In the futures market, the June short sterling contract closed up 2 basis points on the day at 94.04, while the September contract closed up 3 basis points at 94.22.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 8)	3 months US dollars		6 months US Dollars	
	bid 3¼	offer 3⅜	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.99	Three year	4.63
Broker loan rate	[illegible]	Two month	3.06	Five year	5.22
Fed.funds	3	Three month	3.10	Seven year	5.70
Fed.funds at intervention	[illegible]	Six month	3.25	10-year	6.05
		One year	3.51	30-year	6.93

June 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.90	7.70-7.80	7.55-7.70	7.50-7.65	7.20-7.30	8.50
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.50
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jun 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance Houses	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 5⅞ per cent; three months 5⅛ per cent. [illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); BRITISH POUND (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX; PHILADELPHIA SE £/$ OPTIONS; PARIS; 7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; THREE-MONTH PIBOR FUTURES (MATIF); CAC-40 FUTURES (MATIF) Stock Index; ECU BOND (MATIF); OPTION ON LONG-TERM FRENCH BOND (MATIF); POUND - DOLLAR

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6	● Members of British Merchant Banking & Securities Houses Association	
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

GERMANY

NETHERLANDS

SWEDEN

SWITZERLAND

NORWAY

SPAIN

ITALY

DENMARK

FINLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close June 8

Quotations in cents unless marked $

MONTREAL

4 pm close June 8

INDICES

NEW YORK

DOW JONES	June 7	June 4	June 3	June 2	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3532.13	3545.14	3544.87	3533.45	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.59	107.53	107.52	107.37	107.67 (1/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1577.02	1574.29	1577.44	1604.33	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	241.74	241.11	241.68	241.74	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3570.38 (3563.13) Low 3510.82 (3518.63) (Theoretical♦)
Day's High 3550.12 (3545.70) Low 3527.70 (3530.47) (Actual♦)

STANDARD AND POOR'S

	June 7	June 4	June 3	June 2	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.88	450.06	452.49	450.85	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	518.28	520.35	523.01	524.71	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	41.51	42.58	43.11	43.27	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.80	248.22	249.59	250.27	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	440.80	440.95	440.81	439.97	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	694.61	702.01	708.22	705.86	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	June 4	May 28	May 21	year ago (approx.)
Dow Industrial Div. Yield	2.89	2.90	2.94	2.89

	Jun 2	May 26	May 19	year ago (approx.)
S & P Industrial div. yield	2.46	2.48	2.49	2.89
S & P Ind. P/E ratio	25.90	25.88	26.60	28.77

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Cooper Tire	8,528,200	25⅞	- 7½
Bally Mfg	5,438,300	10¾	- ¼
ADV Micro	5,184,400	23¾	- 4¼
Homstaus	5,183,900	11¾	- ⅞
Alecato	5,017,900	28⅞	- ½
Global Marine	3,187,100	0	—
Wal-Mart	3,010,900	26¾	—
Telefonos	2,820,300	45¼	- ¼
BankAmerica	2,737,000	42	- 1
Citicorp	2,438,400	26⅞	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	June 7	June 4	June 3
New York SE	235.580	224.239	272.693
Amex	21.404	20.071	19.505
NASDAQ	247.858	251.707	280.078
NYSE			
Issues Traded	2,521	2,515	2,524
Rises	755	729	882
Falls	1,130	1,200	982
Unchanged	636	586	660
New Highs	70	74	69
New Lows	30	23	19

CANADA

TORONTO	June 7	June 4	June 3	June 2	1993 HIGH	1993 LOW
Metals & Minerals	2927.52	2918.30	2869.00	2902.72	2972.25 (9/2)	2743.31 (21/1)
Composite	3892.20	3894.80	3875.00	3858.80	3894.80 (4/6)	3275.80 (21/1)
MONTREAL Portfolio	1907.64	1906.82	1901.36	1897.10	1915.71 (26/5)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD				
M.S. Capital Intl.(1/1/70) $	570.1*	571.2	572.4	
Euro Top-100 (26/6/90)	972.08	972.01	968.37	

*Saturday June 5: Taiwan Weighted Price; 4,368.23, Korea Comp Ex. 754.58.
♥ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, 183.20, HEX Gen., ... 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinaries ...

TOKYO - Most Active Stocks

Tuesday, June 8, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	0.5m	407	-8
Kurabo Ind	5.2m	510	+19
Sumitomo Mtl Ind.	4.7m	370	+4
Nippon Carbon	3.8m	630	+3
Toyo Tyre & Rbbr.	3.3m	567	+5
Hitachi Zosen	3.4m	635	+1
NEC Corp	3.3m	1020	-20
Hitachi	3.3m	859	-10
Nichiei	3.2m	760	-26
Sumitomo Mtl Min	3.2m	1040	-30

4 pm close June 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅜	11½	AAR Corp	0.48	3.5	26	218	14	13⅝	13⅝	-⅛
28⅞	20	A L Labs A	0.10	0.7	49	740	28⅛	27½	27⅝	
63½	54⅞	AMP Inc	1.00	2.6	22	2496	62	61⅝	61¾	
72¾	55½	AMR			10	7365	69¾	68	68	-2¼
2¼	1¾	ARX			13	20	2⅛	2	2⅛	+⅛
51½	29⅞	ASA	2.00	4.2	61	763	49	47	47⅛	-1½
30¾	22⅝	Abbott Lab	0.60	2.6	10	6660	26¼	25⅞	25⅞	-¼
12⅝	10¼	Abitibi Pr	0.50	4.3	4	6	11⅝	11½	11½	
11⅞	10¼	ACM Gvt M	0.60	8.3		146	011⅞	11½	11⅝	
10	8⅛	ACM GvOpp	0.80	8.2		111	9¾	9⅝	9¾	+¼
9⅝	8¾	ACM Gvt Sp	0.80	8.8		142	d9⅝	9½	9⅝	+¼
11⅞	10½	ACM Gvt Se	0.96	8.7		434	11⅛	11	11	-⅛
11	9⅝	ACM Man	1.00	10.0		98	10⅞	10¾	10¾	
9⅞	8⅝	ACM Mmagd	0.72	8.5		321	9⅞	8⅞	9	
11	7¾	Acme Clevs	0.40	4.0	12	138	10⅛	9¾	10	
9¾	6½	Acme Elect			270	60	9¼	9¾	9¾	-⅛
16	10⅜	Acuson			14	1949	12⅞	12¼	12⅞	+¼
22¼	19⅝	Adams Expr	0.48	2.3	1	82	21¼	21	21	-⅛
65	45½	Ad Micro	5.00	0.7		996	66¾	51½	52½	-⅛
32¾	17⅝	Ad Micro P	3.00	12.8	101	1902	23¾	23⅝	23¾	
7¼	5½	Advest Grp	0.16	2.7	10	27	6⅛	6	6	
24¼	20	Advo Inc	0.80	8.0	26	16	21⅜	21⅛	21¼	-¼
[illegible]										

Samsung
4 Head Hi-Fi Stereo VCR

Jog & Shuttle
Auto Tracking

SAMSUNG ELECTRONICS

Continued on next page

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هكذا من الأصل

4 pm close June 8

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.38	7.7	13	340	17⅞	17⅛	17¾	-⅛
20¾	17	SCOR US Cp	0.32	1.8	212	28	17	d17	17	
28	20	SPS Techno	1.28	4.6	20	27	u28	27⅞	28	
14½	12⅞	Sabine Rt	1.04	7.6	13	51	13⅞	13¾	13¾	-⅛
13⅛	8⅞	Safecard	0.20	1.5	12	2365	u13¼	13	13⅛	+⅛
23½	18¾	Safeg'd Sc			8	61	18	17¾	17¾	-¼
24¾	16¼	SafetyKln	0.36	2.1	24	524	17⅛	17½	17½	-⅛
18½	18⅞	Safeway			24	312	15⅞	15⅜	15⅜	-½
3⅝	2	SafewayWS8				21	3⅜	3¼	3¼	-¼
44½	37½	StJoePaper	0.20	0.5	92	23	39	38⅞	39	
37¾	31	StJosLP	1.76	4.8	14	3	36⅝	36⅝	36⅝	
83¾	75	St Paul's	2.80	3.5	12	343	80⅛	79⅜	79⅜	-⅞
9⅝	7⅞	Salant Crp			5	25	8¼	8⅛	8⅛	-⅛
75¾	42½	Sallie Mae	1.20	2.6	10	7217	46⅝	45¾	46¼	+¼
16⅞	13	Salomon Br	0.28	2.7		344	13⅜	13¼	13⅜	+⅛
41⅞	34	SalomonInc	0.64	1.8	10	1509	36¼	35½	35⅞	-⅛
28⅞	23¼	SanDgo G&E	1.48	5.7	14	623	25¾	25½	25¾	+⅛
4⅞	3½	SantaFeEDu	0.46	10.3	193	61	4	3¾	3⅞	
11⅞	8⅛	SantaFeERs	0.18	1.5	175	1241	10⅞	10¾	10¾	-¼
40¾	35¾	SantaFePac	2.80	7.4	13	28	38	37⅛	38	
18	12¾	SantaFeSth	0.10	0.6	10	2922	16¾	16¼	16¼	-½
31⅛	23⅜	Sara Lee x	0.58	2.4	10	3773	25	24½	24⅝	-⅛
47	40⅛	Scana Corp x	2.74	5.9	15	194	46½	46	46½	+⅛
49⅝	43	Scecorp	2.80	5.8	14	1463	48½	48¼	48⅜	

NASDAQ NATIONAL MARKET

4 pm close June 8

AMEX COMPOSITE PRICES

4 pm close June 8

FINANCIAL TIMES

Wednesday June 9 1993

AMERICA

US stocks fall further ahead of inflation data

Wall Street

US SHARE prices continued falling yesterday as the stock markets traded nervously ahead of Friday's important inflation figures, *writes Patrick Harverson in New York.*

At 1 m, the Dow Jones Industrial Average was down 16.05 at 3,516.08. The more broadly based Standard & Poor's 500 was 2.32 lower at 445.37, while the Amex composite was down 3.19 at 437.71, and the Nasdaq composite down 7.48 at 687.13. Trading volume on the New York Stock Exchange was 135m shares by 1 pm.

Prices were lower across the board at the opening for the second consecutive day as investors struggled to find incentives to buy stocks. The recent run-up in share prices has worried some observers, who believe thet equity markets are vulnerable to a sharp downward correction if bad economic news jolts investor confidence.

That bad news could come on Friday, when the producer prices index for May is due to be released. Recent monthly inflation reports have been surprisingly strong, heightening fears in both stock and bond markets that the Federal Reserve might be forced to raise interest rates to subdue inflationary pressures in the economy.

Currently, analysts are forecasting that the May PPI will have risen by no more than 0.2 per cent. If the figure is anything bigger than thet, then bond and equity prices could tumble. It was a fear of just sucb an outcome that kept stocks firmly anchored in negative territory yesterday.

Among individual issues, some of the biggest bank stocks posted gains. After two days of heavy losses, inflicted by concern about rising interest rates and the effect that they might have on bank margins, most of the sector rebounded yesterday. Chemical rose by $⅝ to $36⅛, Citicorp added $½ at $26⅞, Chase Manhattan firmed $⅜ to $29 and Wells Fargo jumped $2 to $97⅞. Banc One, however, slipped $¼ to $51⅛, and BankAmerica, under pressure from recent brokers' downgrades, fell another $⅝ to $41⅝.

Casino stocks, which have been strong recently in expectation of approval of new gambling legislation in Missouri, ran into heavy profit-taking. Circus Circus fell $2⅝ to $54⅛. Promus dropped $4⅛ to $38⅞ and Caesar's World slumped $2¼ to $44⅞.

Anheuser-Busch slipped $⅜ to $50⅛ after the broking house, Merrill Lynch, cut its short-term rating on the brewer's stock from "above average" to "neutral".

Cooper Tire & Rubber fell another $⅛ to $24⅝ in the wake of the company's profits warning. In the same sector, Goodyear Tire & Rubber fell in sympathy, dropping $⅝ to $38.

On the Nasdaq market, technology stocks were hit by a series of brokerage downgrades. Among the biggest losers were Apple, down $2¼ at $48¼, Microsoft, $2¼ lower at $91 and Intel, down $1⅝ at $56¼.

Canada

TORONTO continued to fall in active midday trade as investors took profits from the market's recent rally.

The TSE-300 index was 26.68 lower at 3,865.50 in volume of 38.9m shares valued at C$362.6m.

The financial services sector lost 39.08, or 1.4 per cent to 2,830.10 while the gold and silver index fell 105.65, or 1.25 per cent to 8,369.08.

EUROPE

Madrid decline broadens and deepens

THE MUTED performance of the Eurotrack 100 masked the movement in one or two senior bourses, and there was even more volatility on the periphery, *writes Our Markets Staff.*

MADRID deepened and broadened its losses as the general index fell another 2.91 to 253.91. Banks continued to decline but disappointment over the Socialists' general election win spilled over into oils and chemicals, where Repsol fell Pta55 to Pta3,125, construction, where Cubiertas led the way down with a Pta360 drop to Pta7,050, utilities and industrials.

Turnover climbed from Pta20.1bn to Pta23.6bn. Mr Javier de Frutos, who covers international equity markets at Beta Capital in Madrid, noted a conjunction of a strong peseta and a drop of 33 basis points in yields in the secondary bond market with tbe continued drop in equities and said that either bonds or equities will have to change direction soon.

FRANKFURT closed below its best, the DAX index ending 6.00 higher at 1,661.61.

Turnover rose from DM5.2bn to DM5.5bn as traders covered their shorts. In chemicals, Hoechst eased DM1.50 to DM245.50 as the company, whicb faced a storm of public and official criticism after a string of chemical accidents earlier this year, announced a replacement for its retiring management board chairman, Mr Wolfgang Hilger.

In the construction sector, falls in the leading contractors after rating downgrades from Merck Finck and Bank Julius Bär were balanced by a DM45 gain to DM1,185 in Heidelberger Zement, on the grounds that there might be more potential in building materials suppliers.

MILAN continued to be dominated by activity in the debt-laden Ferruzzi. The shares came off a further 8.7 per cent, to close L85 lower at L883.10.

Among other companies in the group Montedison slipped L20 to L1,100 and then to L1,060 on the kerb, while Fondiara lost L460 to L27,865. However, Mediobanca, which is leading the consortium of five creditor banks put on L100 to L16,400.

The Comit index was barely changed, rising 0.72 to 521.40.

FT-SE Actuaries Share Indices								THE EUROPEAN SERIES
June 8								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1170.00	1169.67	1169.03	1168.34	1168.06	1168.41	1169.34	1168.70
FT-SE Eurotrack 200	1221.04	1220.10	1220.54	1218.42	1218.63	1218.55	1219.11	1218.08
	Jun 7	June 4	June 3	June 2	June 1			
FT-SE Eurotrack 100	1167.78	1159.95	1160.81	1155.79	1153.22			
FT-SE Eurotrack 200	1218.66	1214.21	1217.28	1215.58	1215.43			

Base value 1000 (26/10/90) Highday: 100 - 1170.15; 200 - 1221.16 Lowday: 100 - 1167.61 200 - 1218.46

Elsewhere, a positive recommendation from Morgan Stanley, helped to lift Benetton L707, or 4 per cent to L19,454: the report noted that 1994 earnings should exceed this year's "due to the benefits of the lira devaluation and to a reduction in the size of the collections".

PARIS was modestly higher with UAP rising FFr13 to FFr574 on news that the Swiss insurer, Winterthur, might increase its 3 per cent stake. The CAC-40 index rose 5.79 to 1,893.65 in turnover of some FFr2.7bn.

Oil stocks remained firm with Total rising FFr1 to FFr273: the company is to participate in a planned consortium bid to develop a Chinese onshore oil field.

ZURICH saw profit taking which left the SMI index 14.4 lower at 2,294.5. In insurances Winterthur lost SFr70 to SFr3,250 although it forecast higher profits after a setback in 1992.

BRUSSELS saw early optimism in Petrofina, whicb jumped by more than 4 per cent at one point on optimism about a presentation to London analysts, and then receded a little to close BFr180, or 2.2 per cent higher at BFr8,350. The Bel-20 index added 10.98 at 1,197.43.

STOCKHOLM fell back after profit-taking in Astra left the B shares down SKr17 at SKr693. The Affärsvärlden general index fell 10.2 to 1,078.4 in turnover of some SKr794m.

HELSINKI fell by a further 2.4 per cent, the Hex index losing 26.6 at 1,115.1; COPENHAGEN gained 1 per cent after a cut in interest rates, the KFX index closing at 85.25.

PORTUGAL weakened slightly but attention is now being turned to the release of May inflation data expected to be released on Friday. The BTA index slipped 7.4 to 1,992.5.

Mr John Ferreira at Carnegie commented that forecasts were for a fall in year-on-year inflation to 5.8 per cent compared to 6.2 per cent in April. He added that if the figures came in as expected then a cut in interest rates might be expected next week.

ATHENS shrugged off weeks in the doldrums as investors reacted positively to the affirmation by the national economy minister, Mr Stephan Manos, that the government's economic plan is still on track. The ASE index rose 23.84, or 3.2 per cent to 757.43. WARSAW dropped another 9.7 per cent, the 294 fall to 2,740.1 in tbe WIG index leaving it 1,006.9, or 27.6 per cent lower since May 31.

ASIA PACIFIC

Nikkei loses 1.3% as yen surges to a record high

Tokyo

THE YEN'S surge to a record high unnerved investors, and share prices lost ground on arbitrage related selling in low volume, *writes Emiko Terazono in Tokyo.*

The Nikkei average fell for the third consecutive day, losing 268.95, or 1.3 per cent, to 20,575.24, the lowest point of the day. The index opened at 20,842.49, the day's high, and declined on light selling.

Volume remained flat at 350m shares, as investors were reluctant to participate ahead of the holiday today, and Friday's settlement of June futures and options contracts. The market is closed today due to the royal wedding of Crown Prince Naruhito and Miss Masako Owada.

Declines overwhelmed rises by 821 to 238, with 122 issues unchanged. The Topix index of all first section stocks shed 16.83 to 1,655.03 and, in London, the ISE/Nikkei 50 index rose 3.06 to 1,250.59.

The higher yen gave investors the jitters, sending leading exporters down. The dollar closed at a new Tokyo low of Y106.33, down Y1.14 on the day, after hitting an intra-day low of Y106.24. Continued worries over THK, the over-the-counter bearings manufacturer rumoured to be facing financial difficulties, also weighed on the market.

Hopes that public funds would support shares ahead of the royal wedding faded quickly in the early session, and US pension funds, seen purchasing shares in small lots, were the only notable buyers. Royal wedding-related shares were losers, with Tasaki Shinju, the pearl jewellery maker, down Y80 at Y1,420.

High-technology exporters lost ground. NEC receded Y20 to Y1,020 and Hitachi declined Y15 to Y859, while Toyota Motor weakened Y50 to Y1,640 and Honda Motor fell Y40 to Y1,360.

In spite of denials by the company over rumours of financial difficulties, THK dropped by its daily limit of Y400 to Y2,120. The OTC market fell 28.89 to 1,616.62.

Regional banks were among the few gainers on the day. Buying by US pension funds supported Ashikaga Bank, which advanced Y31 to Y980, and Bank of Okinawa, Y200 stronger at Y6,600.

Punters sought speculative favourites. Kurabo Industries climbed Y19 to Y510 and Nippon Carbon was up Y3 at Y630.

In Osaka, the OSE average slipped 242.75 to 23,118.75 in volume of 21.5m shares.

Roundup

TOKYO apart, equity markets on the Pacific Rim were generally happier than they were on Monday.

HONG KONG staged a technical rebound, the Hang Seng index finishing 135.01, or 1.9 per cent, higher at 7,259.74. Brokers noted medium-term bullishness as Hang Seng index futures all traded at more than a 100-point premium to the cash market.

Blue chips posted gains across the board. The most active, Hutchison, rose 90 cents to HK$21.80 as its major shareholder, Cheung Kong, put on 30 cents at HK$27.70 and HSBC Holdings climbed HK$1 to HK$72.50. Turnover expanded to HK$4.7bn from the previous day's HK$3.2bn.

SINGAPORE gained ground after early weakness, the Straits Times Industrial index finishing a net 14.55 up at 1,870.67. A recovery in speculative Malaysian over-the-counter (OTC) stocks led the upturn.

KUALA LUMPUR itself featured increased buying of "situational" stocks as the KLSE composite index gained 8.12 at 736.28 in volume of 278.3m shares (221.5m on Monday).

SEOUL's turnover was a record Won1,200bn as the composite index hit a new 51-month high, adding 1.91 at 763.19. Strength in financials, however, was not sustained to the close.

JAKARTA absorbed light profit-taking in the afternoon session and the Jardine Fleming index closed a slight 0.39 higher at 71.55.

AUSTRALIA reflected weakness in golds as the All Ordinaries index ended 15.4 lower at 1,723.1 in turnover up from A$187m to A$283m.

The gold shares index lost 4.5 per cent to 1,779.6. Newcrest Mining fell 30 cents to A$3.85, down by 13 per cent in a week.

NEW ZEALAND was dampened down by higher yields on debt-market securities and softer share prices in New York. The NZSE-40 index closed 1.40 off at 1,655.13 after a holiday on Monday.

TAIWAN extended Monday's losses, the weighted index sinking 39.58 to 4,277.42 for a drop of 114.03 over the past three sessions.

Selling of speculative shares was blamed for the decline.

BOMBAY shed early gains to close lower on profit-taking, the BSE index losing 29 to 2,377, after a high of 2,423.

KARACHI saw buying by institutions and foreign funds. There was hope of some improvement in the political climate, after the government and the opposition formed committees to hold reconciliation talks. The KSE index moved ahead 13.5 to 1,171.64.

SOUTH AFRICA

WITH a recovery in the bullion price gold shares regained most of the day's losses by the close, the sector index closing 13 lower at 1,680, off a day's low of 1,643. Industrials rose 9 to 4,557 and the overall fell 7 to 3,926.

Dutch equities hope for year-end recovery

But this is dependent on a further easing in interest rates, writes Ronald van de Krol

After getting off to a healthy start early this year, the Amsterdam stock exchange is limping into the summer with little prospect of short-term recovery and every expectation that things will probably get worse before they get better.

Amsterdam's recent loss of steam is a sharp contrast to the first four months of this year, when the market gained 12 per cent under the combined influence of the lower trend in interest rates, the higher value of the dollar and the hesitant emergence of recovery in the US economy. The gains were concentrated mainly in traditional defensive sectors such as the publishing and food industries, as well as in banks and insurers.

"The rally was fed entirely by a stronger than expected recovery in the US economy and a sharp drop in interest rates," says Mr Jacques Potuijt, director of research at Deutsche Bank-de Bary in Amsterdam. "What we need now are better fundamentals such as improved profit expectations."

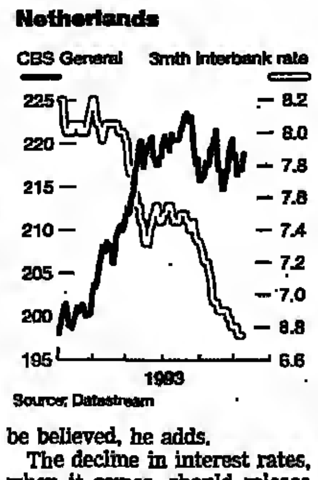
However, the profit outlook is not expected to brighten until later this year, ahead of a predicted economic upturn in 1994, meaning that the bourse is likely to remain lacklustre until September.

To make matters worse, the outlook for the economy is deteriorating, although a deep recession like Germany's does not seem a likely prospect for the moment. All in all, most analysts predict that the bourse will face a difficult summer at best before seeing an improvement around the fourth quarter.

Mr Potuijt believes that, by the year-end, the CBS General index will stand at around 235, a further improvement compared with the all-time high of 223.5 reached on April 19. The index ended yesterday at 219.4, while the CBS Tendency index closed at 105.7, up 10.6 per cent on the year to date.

Mr Thibaud de Guerre, an analyst at Credit Suisse First Boston in Amsterdam, believes that the timing of the bourse's next rise is heavily dependent on further cuts in interest rates. "The problem for the next three months is that the bourse has already discounted the interest rate decline, and companies across Europe are issuing negative and alarming reports, especially in cyclical businesses," he says.

Netherlands



Source: Datastream

Unfortunately, the cut in interest rates already discounted hardly looks imminent if the Bundesbank's recent cautionary statements are to be believed, he adds.

The decline in interest rates, when it comes, should release liquidity from bond funds and from investors' saving deposits, providing an impetus for the stock market later this year. Overall, Mr da Guerre believes that the EOE index of the 25 most actively traded shares could fall to between 290 to 295 from yesterday's 309, before returning to 320 to 325 by the year-end.

The release of half-year figures in August is unlikely to provide an immediate spur for share prices and are expected to underline the difficult trading conditions faced by many companies.

Last week, for example, KLM reported a Fl 562m loss in 1992/93, highlighting the malaise in cyclical sectors such as aviation. The airline's shares rose briefly on relief that the losses were not worse, but they have since fallen back, closing yesterday at Fl 26.10, barely higher than the level before the release of the figures.

The uncertainty about economic prospects means that it is still too early to expect a recovery in the prices of strongly cyclical companies such as KLM, the transport group, Nedlloyd, or the steel producer Hoogovens, because they will all be vulnerable if economic resurgence does not take place in 1994 as predicted.

However, Mr de Guerre recommends investing later this year in "solid cyclicals" - financially strong companies such as the storage and transport group Pakhoed, and Akzo.

This list also includes HBG and other construction groups, reflecting the benefits expected to flow from increased infrastructural spending in the Netherlands, UK and France, as well as from higher international dredging activity.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and tha Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 7 1993								FRIDAY JUNE 4 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	134.18	−0.3	130.62	91.01	112.94	132.35	−0.1	3.78	134.64	131.49	91.70	113.57	132.53	144.18	117.39	153.18
Austria (18)	145.92	−0.8	142.05	98.98	122.83	123.00	+0.7	1.61	147.15	143.71	100.22	124.12	122.15	150.98	131.18	174.50
Belgium (42)	142.59	+0.5	138.80	96.70	120.01	117.09	+0.3	4.64	141.92	138.61	96.65	119.71	116.72	156.76	181.18	143.91
Canada (108)	128.03	+0.1	124.63	86.83	107.75	118.48	+0.1	2.79	127.87	124.89	87.09	107.86	118.38	129.97	111.41	128.31
Denmark (33)	214.58	+1.0	208.86	145.53	180.60	181.07	+0.7	1.25	212.53	207.58	144.76	178.28	179.72	225.64	185.11	239.93
Finland (23)	92.58	−1.7	90.12	62.79	77.92	109.68	−1.7	1.14	94.21	92.02	64.17	79.47	108.56	100.92	65.50	78.00
France (98)	154.98	+1.5	150.87	105.11	130.44	132.61	+1.3	3.39	152.64	149.08	103.95	128.74	130.97	167.36	142.72	164.24
Germany (62)	112.38	+1.2	109.40	76.23	94.59	94.59	+1.0	2.24	111.02	108.43	75.62	93.64	93.64	117.10	101.59	124.53
Hong Kong (55)	289.87	−0.4	282.28	196.67	244.08	287.85	−0.8	3.25	291.00	284.21	198.20	245.46	288.91	301.61	218.82	251.42
Ireland (15)	162.95	+0.2	158.62	110.52	137.15	152.86	+0.0	8.47	162.57	158.78	110.73	137.13	162.66	170.40	129.28	156.44
Italy (73)	66.95	−1.8	65.17	45.40	56.35	74.05	−1.8	2.36	68.18	66.59	46.43	57.51	75.41	72.82	53.78	70.45
Japan (470)	153.78	+0.4	149.70	104.30	129.46	104.30	−0.1	0.80	153.24	149.66	104.37	129.28	104.37	154.20	100.75	103.36
Malaysia (69)	337.32	−1.1	328.37	228.78	283.92	332.06	−1.0	2.04	340.98	333.03	232.24	287.62	335.34	348.83	251.66	235.47
Mexico (18)	1450.41	−0.4	1411.93	983.78	1220.83	4952.47	−0.3	1.37	1455.89	1421.93	991.62	1228.10	4968.78	1725.81	1410.80	1667.12
Netherland (24)	167.44	+1.1	163.00	113.57	140.94	138.90	+0.9	3.96	165.59	161.73	112.78	139.68	167.70	172.75	150.39	163.59
New Zealand (13)	49.26	−0.5	47.95	33.41	41.46	48.76	+0.0	4.55	49.49	48.34	33.71	41.75	48.76	49.82	40.58	47.39
Norway (22)	155.12	−0.8	151.01	105.22	130.57	144.44	−1.0	1.83	156.40	152.75	106.52	131.93	145.84	166.21	137.71	187.89
Singapore (38)	257.72	−1.3	250.88	174.80	216.92	181.21	−1.0	1.80	261.05	254.96	177.80	220.20	196.20	262.72	207.04	224.37
South Africa (60)	195.00	−1.2	189.82	132.25	164.13	196.27	−0.9	2.55	197.28	192.68	134.36	166.41	198.13	201.01	144.72	247.50
Spain (46)	129.30	−0.1	125.87	87.70	108.84	121.86	−1.7	4.89	129.38	126.36	88.12	109.13	123.94	132.82	115.23	155.72
Sweden (36)	179.85	+0.5	175.21	122.08	151.50	193.37	−0.1	1.75	179.13	174.95	122.01	151.10	193.58	184.06	149.70	197.72
Switzerland (53)	128.26	+1.3	124.86	87.00	107.97	115.58	+0.9	1.89	126.62	123.87	86.25	106.82	114.67	129.36	106.91	108.08
United Kingdom (219)	176.15	+0.9	171.48	118.49	148.25	171.48	+0.5	4.05	174.67	170.59	118.95	147.32	170.59	181.99	162.00	195.05
USA (519)	182.93	−0.8	179.07	124.06	153.98	182.93	−0.6	2.80	183.97	178.88	125.31	155.19	183.97	186.27	175.38	168.43
Europe (764)	145.18	+0.8	141.33	98.47	122.21	133.19	+0.5	3.34	144.00	140.84	66.08	121.47	132.54	149.02	133.92	154.79
Nordic (114)	166.88	+0.3	162.46	113.19	140.46	158.72	−0.1	1.57	166.43	162.55	113.36	140.39	158.94	171.77	142.13	162.37
Pacific Basin (713)	156.61	+0.3	152.75	106.43	132.06	110.69	−0.1	1.06	156.52	152.87	103.61	132.03	110.81	157.42	105.89	109.92
Euro–Pacific (1477)	151.99	+0.5	147.95	103.08	127.92	120.64	+0.1	1.95	151.27	147.74	103.02	127.59	120.49	152.84	117.26	128.09
North America (627)	178.50	−0.5	174.74	121.79	151.12	179.54	−0.5	2.80	180.47	178.26	122.94	152.26	178.50	182.38	171.51	165.81
Europe Ex. UK (545)	125.89	+0.8	122.55	85.40	105.99	111.59	+0.5	2.86	124.69	121.97	85.08	105.37	111.07	128.65	112.51	130.72
Pacific Ex. Japan (243)	188.29	−0.5	183.29	127.73	158.50	174.05	−0.4	3.15	189.32	184.90	128.97	159.71	174.78	194.08	152.70	174.53
World Ex. US (1663)	152.37	+0.4	148.33	103.36	128.26	122.63	+0.1	1.98	151.72	148.18	103.34	127.98	122.50	153.23	118.51	130.42
World Ex. UK (1963)	160.17	+0.0	155.92	108.65	134.83	138.21	−0.2	2.11	160.22	156.48	108.18	135.15	138.52	151.34	134.22	137.28
World Ex. So. Af. (2122)	161.48	+0.1	157.20	106.54	135.93	140.83	−0.1	2.29	161.38	157.61	109.92	136.14	141.03	162.74	137.28	141.56
World Ex. Japan (1712)	167.74	−0.1	163.29	118.75	141.21	161.45	−0.2	2.99	167.89	163.87	114.36	141.64	161.78	170.05	157.47	164.08
The World Index (2182)	161.60	+0.1	157.31	109.51	136.03	141.31	−0.1	2.29	161.51	157.74	110.01	136.25	141.52	162.86	137.32	142.25

Latest prices were unavailable for this edition. Markets closed June 7: Ireland & New Zealand.

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